



**SAVINGS BANKS AMALGAMATION'S**  
Pillar III Disclosure Report 30 June 2021

# SAVINGS BANKS AMALGAMATION'S PILLAR III DISCLOSURE REPORT 30 JUNE 2021

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## Introduction

The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 18 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank as well the companies within the consolidation groups of the above-mentioned entities, Savings Bank Services Ltd and Sp- Fund Management Company Ltd Plc. The structure of the Group differs from that of the Amalgamation so that the Savings Banks Group also includes organisations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy. More information on the group structure of is presented in the Savings Banks Group's Financial Statement.

This report discloses information on the amalgamation as specified in Capital Requirements Regulation of the European Parliament and Council No. 573/2013 (CRR) (Pillar III disclosures). Due to CRR2 changes the amalgamation will disclose part of the pillar III information semi-annually from June 2021 concurrently with the release of the Amalgamation's

half-year report. Semi-annual pillar III report contains key metrics related to risk-based capital ratios, leverage ratio, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The comprehensive pillar III report is disclosed at the year end in conjunction with the date of publication of the Saving Banks Group's board of directors' report and consolidated IFRS financial statements.

The amalgamation does not apply the transitional arrangements specified in Article 473a of CRR. Own funds, capital and leverage ratios already reflect the full impact of IFRS 9 or analogous ECLs. The amalgamation does not apply the temporary treatment specified in Article 468 of CRR. Own funds, capital and leverage ratios already reflect the full impact of unrealised gains and losses measured at fair value through other comprehensive income.

The pillar III disclosures have been prepared in accordance with the amalgamation's Pillar III disclosure principles and internal control processes approved by the Amalgamation's Board of Directors. The report is unaudited.

## Pillar III disclosure principles

The Amalgamation's Pillar III disclosure principles have been established in accordance with the effective legislation and authorities' regulations and also taking into account the Amalgamation's long term strategy and business plan. The objective of the Pillar III disclosure principles is to ensure that the amount and quality of the published information is adequate in relation to the nature, scale, complexity and risk level of the Amalgamation's business operations and taking into account the specific features of the Amalgamation's business operations. To achieve this objective, the Amalgamation assesses the materiality of the information from the stakeholder point of view and evaluates what can be classified as proprietary or confidential information.

The Savings Banks Amalgamation publishes annually all relevant information of the business and various

risk areas, which are based on a selected business strategy. The Amalgamation's Board of Directors approves the Pillar III disclosure principles and the Central Institution's management prepares the disclosure principles. The principles are updated at least annually or whenever the Amalgamation's operating environment, business model, regulatory and/or regulatory framework change materially.

In accordance with CRR2 the comprehensive pillar III report is disclosed at the year and semi-annual pillar III disclosure has a narrower scope with focus on the key metrics. The Amalgamation assesses whether scope or frequency of the pillar III disclosure has to be updated if the market conditions, financial performance or change in the risk position would require that.

## Declaration approved by the Board of Directors of Savings Bank Amalgamation

The board of the Amalgamation confirms with the accordance of CRR article 431(3) that the pillar III report of the Amalgamation has been prepared in the accordance with Amalgamation's pillar III disclosure principles, internal processes, systems and controls.

In Helsinki 12 July 2021

The Board of Directors' of the Savings Banks' Union Coop

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**Pirkko Ahonen**  
Chairman of the Board

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**Jari Oivo**  
Vice Chairman of the Board

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**Ulf Sjöblom**

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**Tuula Heikkinen**

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**Eero Laesterä**

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**Katarina Segerståhl**

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**Heikki Paasonen**

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**Jaakko Ossa**

## Key Indicators (KM1)

At the end of June 2021, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 1,103.9 (1,075.7) million, of which CET1 capital accounted for EUR 1,100.4 (1,069.6) million. The growth in CET1 capital compared to year-end 2020 was mainly due to the profit for the review period. Tier 2 (T2) capital accounted for EUR 3.4 (6.1) million, which consisted of debentures in the review period. During first half of the year 2021, the decrease in risk-weighted exposure amounts was due to the extension of the SME support factor resulting from the amendment of the capital adequacy regulation (CRR) and the redemptions of fund investments. The increase in risk-weighted exposure amounts was highest in corporate receivables and exposures in default, as a result of the introduction of a new definition of default. The capital ratio of the Savings Banks Amalgamation was 19.9 (19.1) % and the CET1 capital ratio was 19.8 (19.0) %.

The capital requirement of Savings Banks Amalgamation was 11,76% of risk weighted assets which corresponds to EUR 653.8 (663.0) million. The capital requirement has remained unchanged compared to year-end 2020. The standard method is used to calculate capital requirement for credit risk, counterparty risk and credit valuation adjustment. The basic method is used to calculate capital requirement for operational risk. The capital requirement for foreign-exchange risk is calculated

by using basic method if net open position exceeds 2 % of the own funds. The amalgamation does not have a trading book and the Amalgamation does not involve commodity risk taking.

The leverage ratio of the Savings Banks Amalgamation was 8.9 per cent (8.7) clearly exceeding the 3% minimum requirement that became valid on 28 June 2021. The benchmark data are not fully comparable as they do not take into account the changes to the CRR that entered into force during the review period.

Liquidity Coverage ratio (LCR) of the Savings Banks Group was 166% (196%) staying well above the regulatory minimum requirement. During first half of the year 2021 high-quality liquid assets (HQLA) diminished EUR 94,0 million due to a decrease in central banks savings (EUR 113,2 million) and a slight increase of other HQLA items. There was also approximately EUR 78,0 million increase in net cash outflows compared to year end 2020. This was largely explained by an increase in corporate savings which are not under the savings guarantee scheme.

Net Stable Funding (NSFR) ratio was 124%, well above the regulatory requirement (100%). Available stable funding was approximately EUR 9,774.2 million. Its largest items were retail deposits of EUR 6,169.3 million, Tier 1 capital (T1) of EUR 1,100.4 million and bonds and bills issued of EUR 1,763.6 million. Required stable funding was EUR 7,895.5 million and consisted mainly of loans granted.

Template EU KM1 - Key metrics template

		a
(EUR 1,000)		30.6.2021
<b>Available own funds (amounts)</b>		
1	Common Equity Tier 1 (CET1) capital	1,100,416
2	Tier 1 capital	1,100,416
3	Total capital	1,103,864
<b>Risk-weighted exposure amounts</b>		
4	Total risk exposure amount	5,559,982
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>		
5	Common Equity Tier 1 ratio (%)	19.7917 %
6	Tier 1 ratio (%)	19.7917 %
7	Total capital ratio (%)	19.8537 %
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.2500 %
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.2500 %
EU 7d	Total SREP own funds requirements (%)	9.2500 %
<b>Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)</b>		
8	Capital conservation buffer (%)	2.5000 %
9	Institution specific countercyclical capital buffer (%)	0.0053 %
11	Combined buffer requirement (%)	2.5053 %
EU 11a	Overall capital requirements (%)	11.7553 %
12	CET1 available after meeting the total SREP own funds requirements (%)	10.6037 %
<b>Leverage ratio</b>		
13	Total exposure measure	12,388,999
14	Leverage ratio (%)	8.8822 %
<b>Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)</b>		
EU 14c	Total SREP leverage ratio requirements (%)	3.0000 %
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>		
EU 14e	Overall leverage ratio requirement (%)	3.0000 %

## Template EU KM1 - Key metrics template

		a
(EUR 1,000)		30.6.2021
<b>Liquidity Coverage Ratio</b>		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,378,143
EU 16a	Cash outflows - Total weighted value	978,457
EU 16b	Cash inflows - Total weighted value	150,463
16	Total net cash outflows (adjusted value)	827,994
17	Liquidity coverage ratio (%)	166.4435 %
<b>Net Stable Funding Ratio</b>		
18	Total available stable funding	9,774,240
19	Total required stable funding	7,895,463
20	NSFR ratio (%)	123.7680 %

The rows EU 7c, EU 8a, EU 9a, 10, EU 10a, EU 14a, EU 14b and EU 14d of the KM1 template are not disclosed as these rows do not contain data. Data for previous periods (columns b-e) is not disclosed when data are disclosed for the first time.





Säästöpankki