

Sp Mortgage Bank and Savings Banks Group

Investor Presentation

June 2019



Savings Bank

Agenda

I	Group Structure and Strategy	p. 4
II	Market Position	p. 8
III	Financials and Funding	p. 16
IV	Sp Mortgage Bank & Contemplated Transaction	p. 24
V	Macro Outlook	p. 33
VI	Appendices	p. 37



Summary of the Savings Banks Group

The Savings Banks Group	<ul style="list-style-type: none"> • The Savings Banks Group is the oldest banking group in Finland consisting of 21 Savings Banks across the country as well as entities providing products and services to the Savings Banks • The Group has close to 500,000 customers and about 150 branch offices • The main focus is on retail customers which comprise 74% of lending, predominantly in form of mortgages. Other target groups include SMEs (19% of lending) and agricultural customers (7% of lending) • The Group has approximately a 5% market share in household lending and a 4% market share in household deposits • In 2018, the Savings Banks Group had on average 1,386 employees
The Amalgamation of Savings Banks	<ul style="list-style-type: none"> • The 21 Savings Banks, Central Bank of Savings Banks Finland (CBSBF), Sp Mortgage Bank and their central institution Union Coop together with certain other product and service companies form the Amalgamation of Savings Banks (as laid down in the Amalgamations Act) • Under the Amalgamations Act, the Savings Banks, CBSBF, Sp Mortgage Bank and the Union Coop are jointly liable for each others' debts and commitments
Financial position	<ul style="list-style-type: none"> • Total assets of the Group were EUR 11.7bn at the end of 31 December 2018. The Group's profit before taxes amounted to EUR 36.4m • Loan book of EUR 8.5bn consists mainly of residential mortgages with low loan loss impairments of 0.04% at the end of December 2018 • Large and stable deposit base of EUR 6.9bn comprises the largest part of the Group's funding • Strong capital position is reflected by a CET1 ratio of 17.6% and a total capital ratio of 18.2% at the end of 31 December 2018 • Solid leverage ratio of 8.6% at the end of 31 December 2018 (Tier 1 Capital / Total Liabilities)
Funding & Ratings	<ul style="list-style-type: none"> • S&P Global Ratings has assigned 'A-/A-2' long- and short-term counterparty credit ratings to CBSBF, the entity responsible for senior unsecured financing of the Group. The outlook on the ratings is stable. As the central credit institution CBSBF's ratings reflect the wider Group's franchise and creditworthiness • Sp Mortgage Bank is responsible for issuance of covered bonds within the Group and issued cover bonds are rated 'AAA' by S&P Global Ratings • The 100% Finnish prime mortgage cover pool is well diversified, with a majority of the pool located in growth centres and their close proximity. The pool has no non-performing loans and has average LTV of 58.5% (indexed) as of 31 March 2019

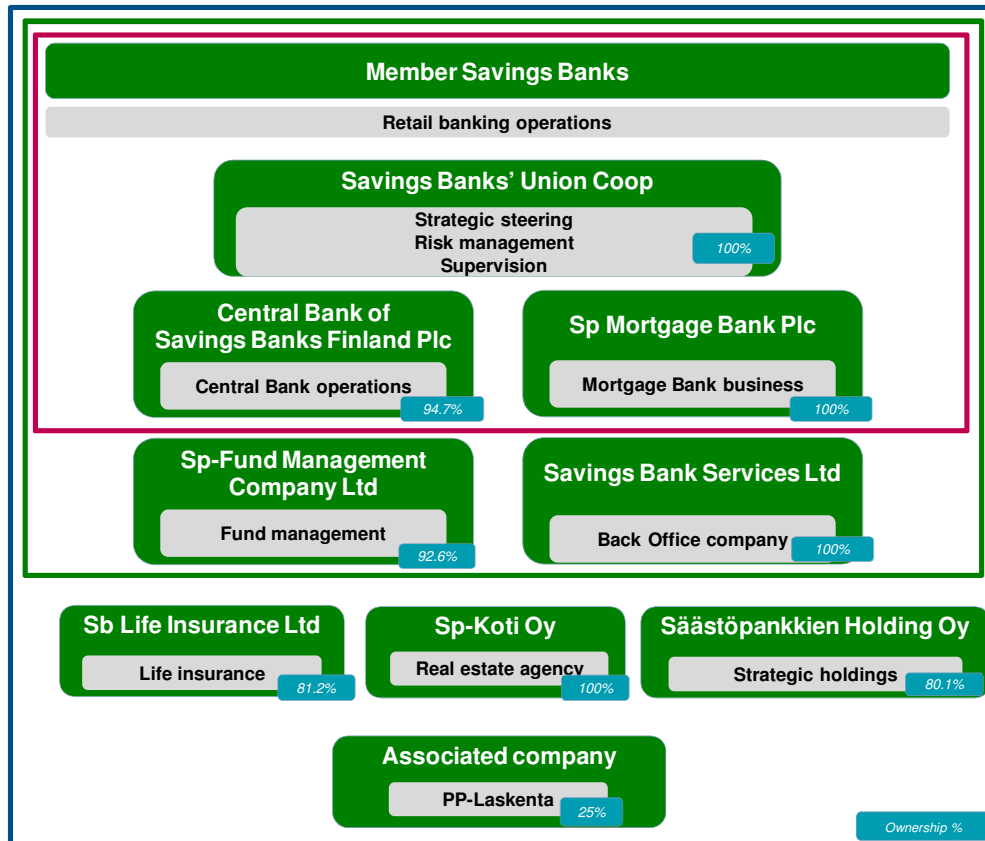


Group Structure and Strategy



Savings Bank

Structure of the Savings Banks Group



JOINT LIABILITY

The member credit institutions in the Amalgamation share joint liability for each others' debts and commitments

THE AMALGAMATION

Sp-Fund Management and Savings Bank Services Ltd are part of the Amalgamation but not part of the joint liability since they are not a member credit institutions

THE SAVINGS BANK GROUP

The Group includes also product companies jointly owned by the Savings Banks as well as the associated company PP-Laskenta which do not belong to the Amalgamation but are consolidated to the Group



Growth and profitability of retail banking are key questions addressed in the strategy

Profitability

- All savings banks showed positive results, but improvement is needed in profitability

Customers

- Number of customers has increased and quality of relationships has improved, but the growth must be further accelerated
- Number of customer meetings (per day, per person) must be increased
- Customer satisfaction is very high among the existing customers, this strength must be leveraged to create new customer relationships

Banking group

- The banking group is much more united than it was some years ago, but there is still room to improve efficiency and scalability by more effective co-operation and coordination
- The Group must jointly and unanimously commit to significant investments in the coming years to build a fully digital banking platform



Successful strategy execution requires success in two main things

1. Build on strengths by differentiating with customer experience

Provide the customers with the best combination of digital and personal services

Increase sales activity and subject-matter expertise in personal/SME finance

Leverage the winning customer experience to wider audience, not just the current customers

2. Improve retail banking profitability

Increase income

- Increase number of customers, increase share of wallet
- Innovate new services

Improve operational efficiency

- Harmonise, centralise, and automate processes
- Maximise time spent with customers

VISION 2021

Active and trusted partner in customers' financial matters



FINANCIALS

Steadily growing and profitable banking operation



COMPETITIVE ADVANTAGE

Savings Banks' customer experience – the best in combining digital services and high value-added personal services



OPERATING MODEL

Local for customers, united and efficient internally



CAPABILITIES

High performing and versatile team of professionals



BRAND

Known as trusted partner on customers' side advising in financial matters



Market Position



Savings Bank

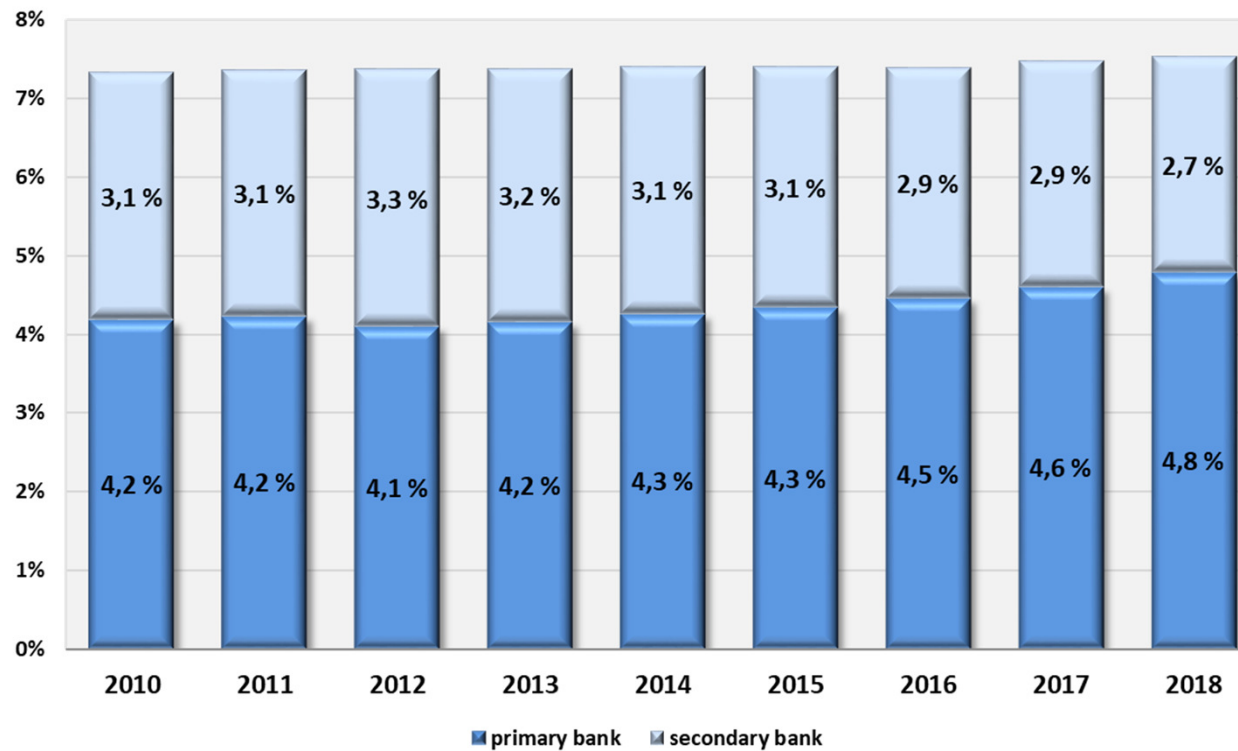
The Savings Banks Group operates countrywide

- A group of 21 financially solid Savings Banks as well as collectively owned product and service companies
- Operations across Finland offering its customers a complete package of financial products and services
- Total assets of EUR 11.7 bn, loans of EUR 8.5 bn and total deposits of EUR 6.9 bn
- 483,000 customers, with main focus on private customers (74 % of lending), small and medium sized businesses (19 %) and agricultural and forestry customers (7 %)
- Savings Banks' customers have access to: about 150 branches, 24 automated service and payment points, online banking via net bank and mobile bank
- The Group is a part of European Savings Banks network (ESBG)



The Savings Banks Group's market share increasing

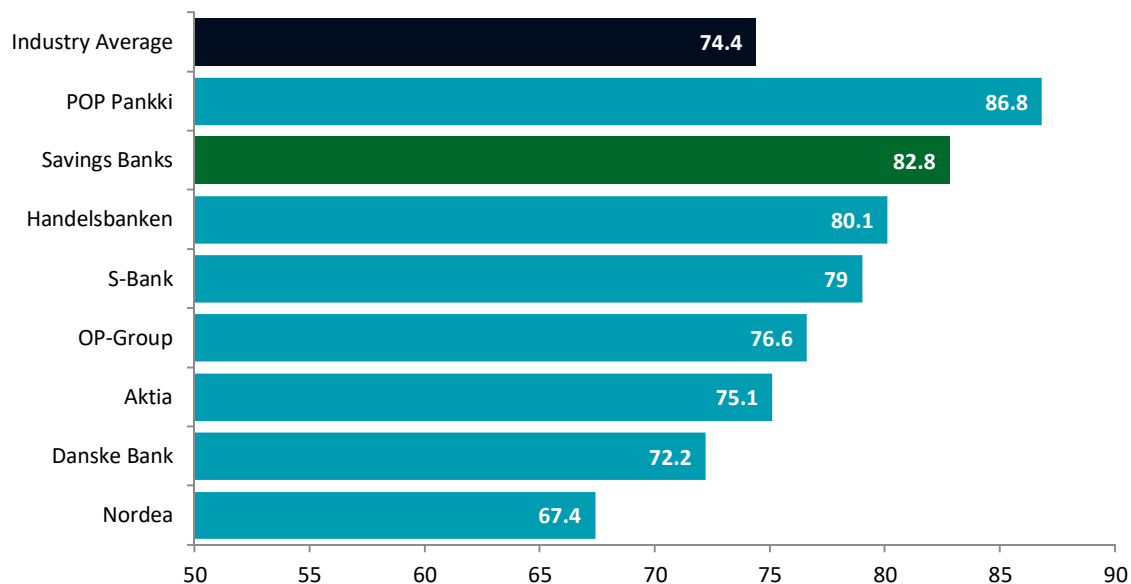
Savings Banks' customers as % of the Finnish population



Source: Source: Statistics Finland & Savings Banks Group



The Customer Experience Index improving and among the highest



EPSI Rating Customer Experience Index 2018

Year	2018	2017	2016	2015
POP Pankki	86.8	83.8	82.0	82.4
Savings Banks	82.8	82.1	81.6	80.5
Handelsbanken	80.1	79.6	80.1	81.9
S-Bank	79.0	N/A	N/A	75.0
OP-Group	76.6	78.9	78.5	78.2
Aktia	75.1	77.5	77.3	79.8
Danske Bank	72.2	72.0	69.9	70.8
Nordea	67.4	70.9	65.1	71.8

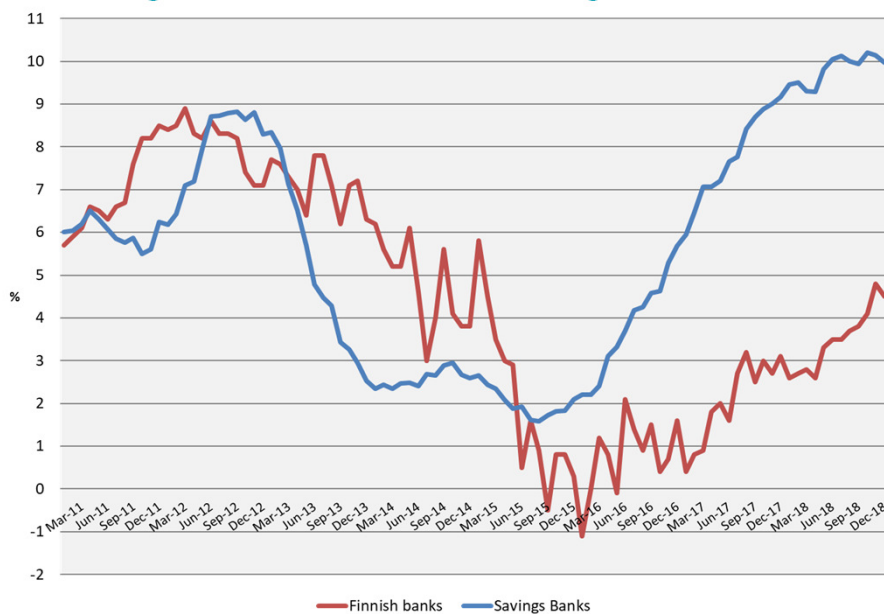
The Customer Experience Index looks at
Benefit: Does the product match what the customer needs?
Ease: How simple is it to work with the company?
Pleasantness: How pleasant is it to work with the company?

Source: EPFI Rating

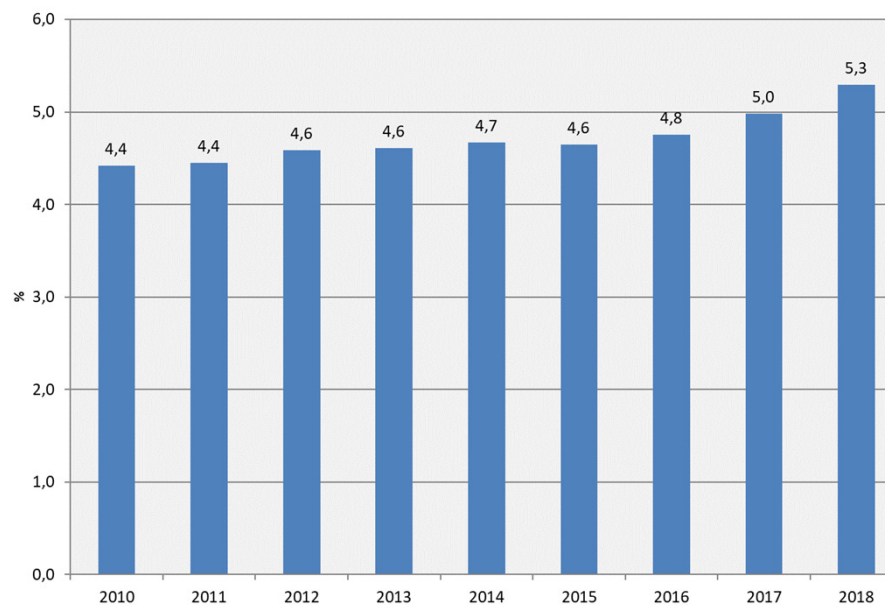


Continuous growth in Savings Banks' loan portfolio (including Sp Mortgage Bank)

Annual loan growth, %
Savings Banks vs. Finnish banking sector



Savings Banks' market share in loans
Savings Banks vs. Finnish banking sector

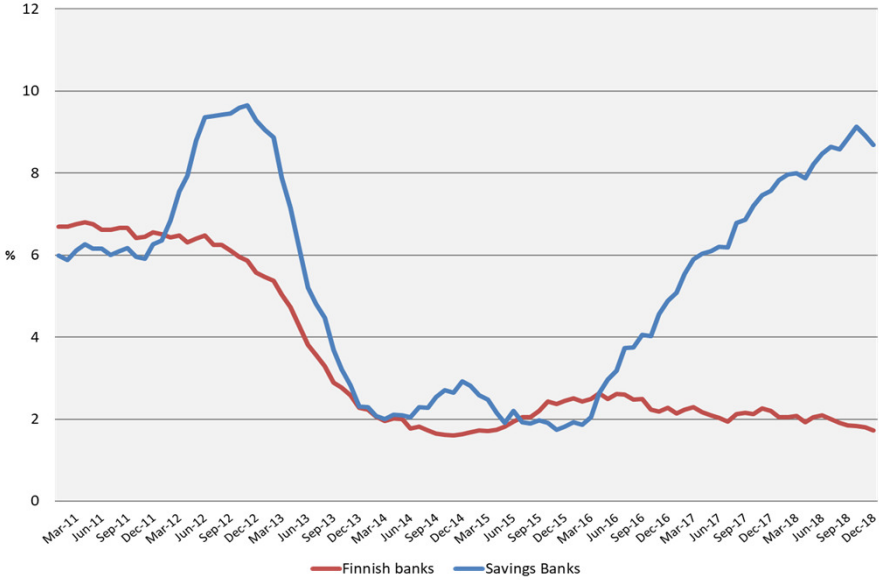


Source: Bank of Finland & Savings Banks Group

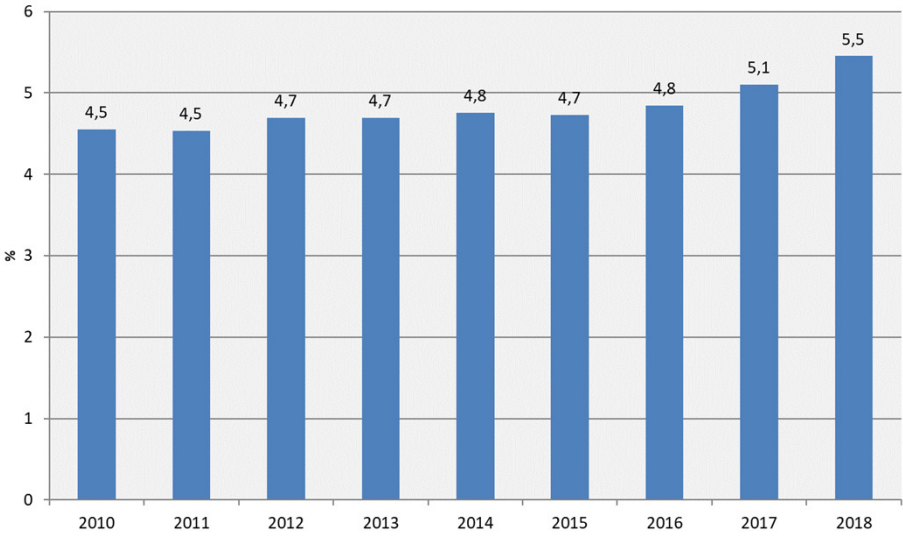


Savings Banks growing predominantly in mortgages

Annual mortgage loan growth, %
Savings Banks vs. Finnish banking sector



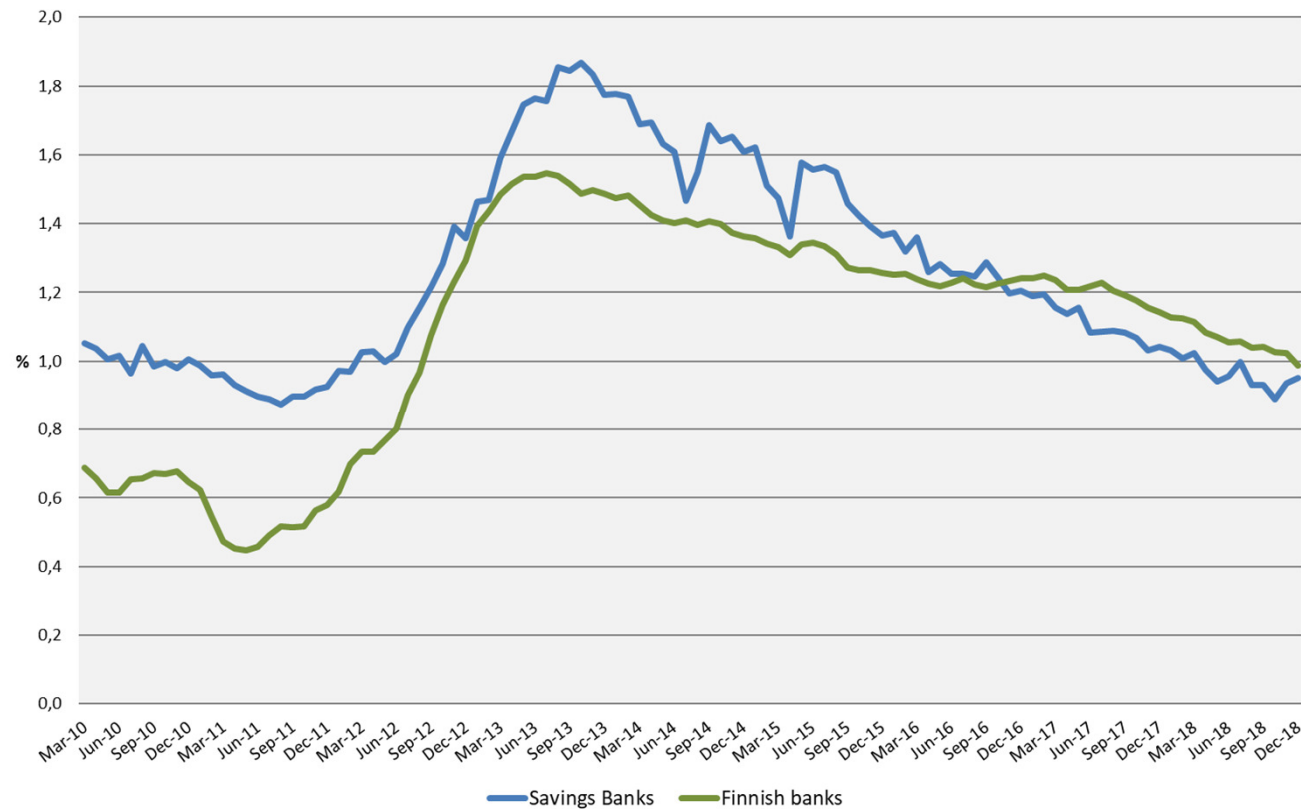
Savings Banks' market share in mortgage loans
Savings Banks vs. Finnish banking sector



Source: Bank of Finland & Savings Banks Group



Savings Banks' mortgage margins remaining around industry average whilst the Group is maintaining good lending growth

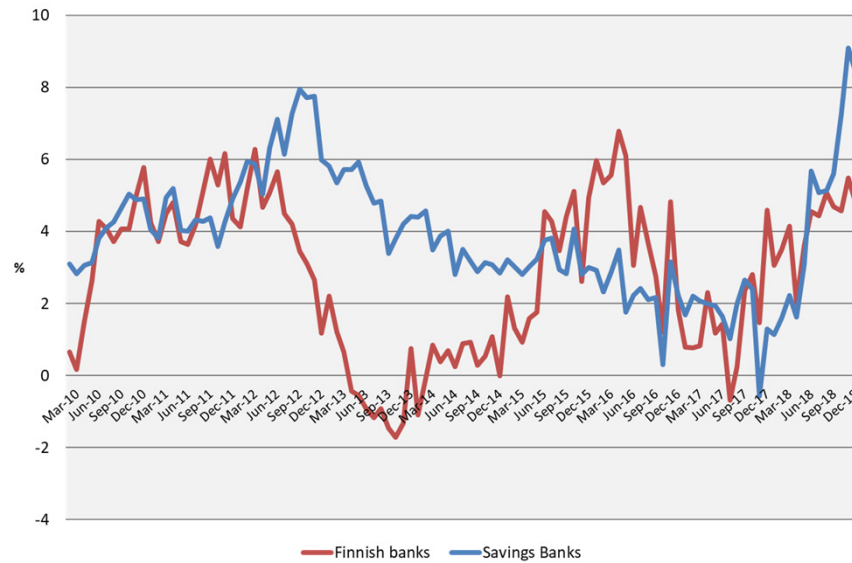


Source: Bank of Finland & Savings Banks Group

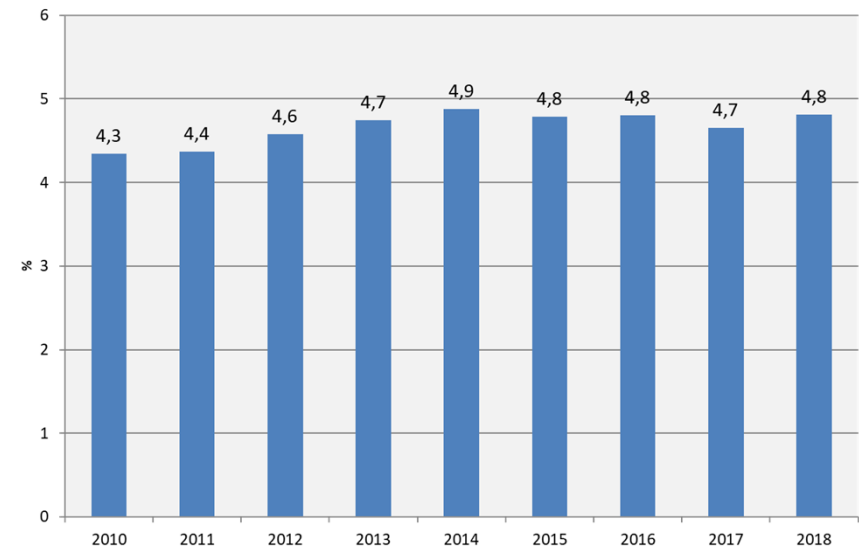


Strong growth in the Savings Banks Group's deposit base

Deposits annual growth, %-change
Savings Banks vs. Finnish banking sector
Euroarea eurodeposits



Deposits market share
Savings Banks vs. Finnish banking sector



Source: Bank of Finland & Savings Banks Group



Financials and Funding



Savings Bank

Key financials of Savings Banks Group

	FY2018	FY 2017	FY 2016	FY 2015
Profit before tax	EUR 36.4m	EUR 88.2m	EUR 69.6m	EUR 69.7m
Net interest income	EUR 152.7m	EUR 142.2m	EUR 131.7m	EUR 125.0m
Cost-to-income	84.3%	64.7%	64.4%	63.4%
Capital adequacy	Amalgamation : Total capital 18.2% - CET1 17.6%	Amalgamation: - Total capital 19.1% - CET1 18.2%	Amalgamation: - Total capital 19.5% - CET1 18.5%	Amalgamation: - Total capital 18.8% - CET1 17.8%
Leverage ratio*	8.6%	8.8%	9.1%	9.2%
Loans and advances	EUR 8.6bn	EUR 7.8bn	EUR 7.0bn	EUR 6.4bn
Total assets	EUR 11.7bn	EUR 11.3bn	EUR 10.4bn	EUR 9.2bn
Personnel	1,386	1,343	1,270	1,230

*The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Amalgamation's Tier 1 capital to total liabilities.

Source: Savings Banks Group



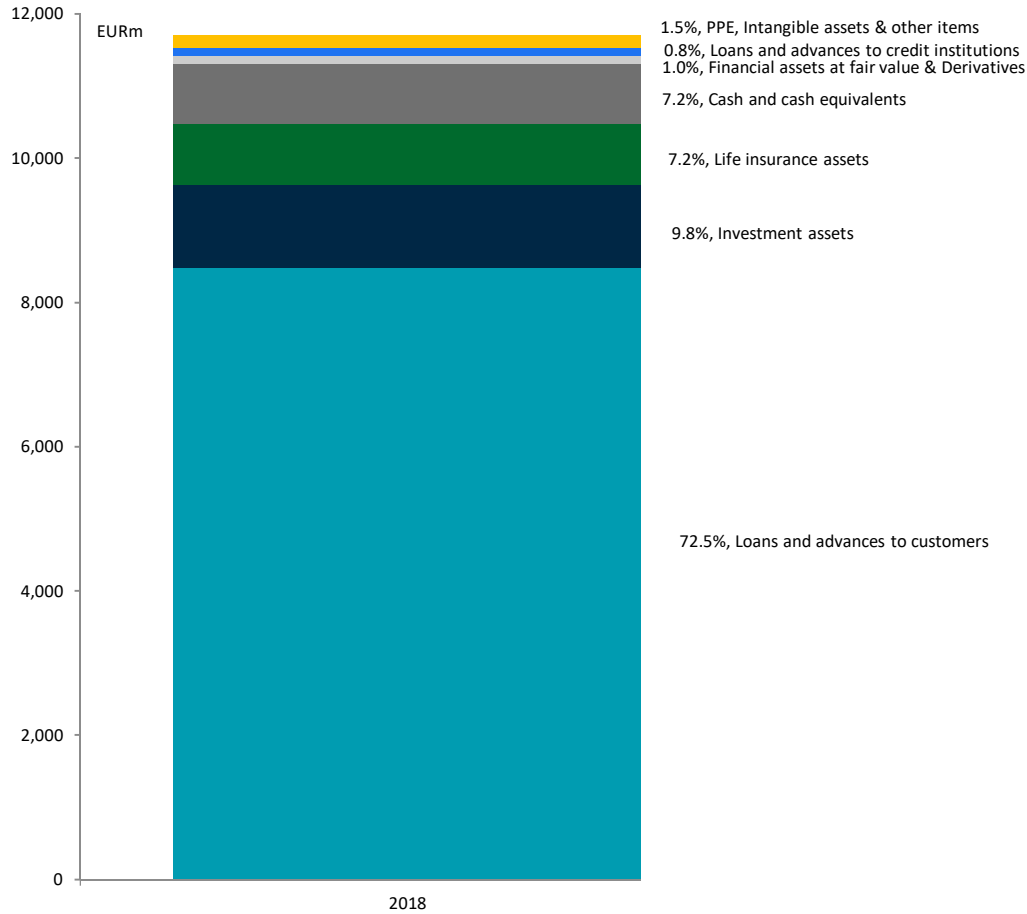
Savings Banks Group – Overview of income statement

Income statement (EUR thousand)	FY2018	FY 2017	FY 2016
Net interest income	152,704	142,176	131,693
Net fee and commission income	84,486	79,159	71,428
Net trading income	-24,332	3,156	-56
Net investment income	4,979	39,065	17,809
Net life Insurance income	13,163	15,552	11,810
Other operating revenue	3,669	3,083	12,692
Total operating revenue	234,670	282,191	245,376
Operating expenses	-197,719	-182,693	-168,792
Net impairment loss on financial assets	-3,868	-13,265	-8,411
Associate's share of profits	3,323	1,977	1,430
Profit before tax	36,408	88,210	69,603
Taxes	-5,767	-16,316	-12,406
Profit	30,640	71,894	57,197

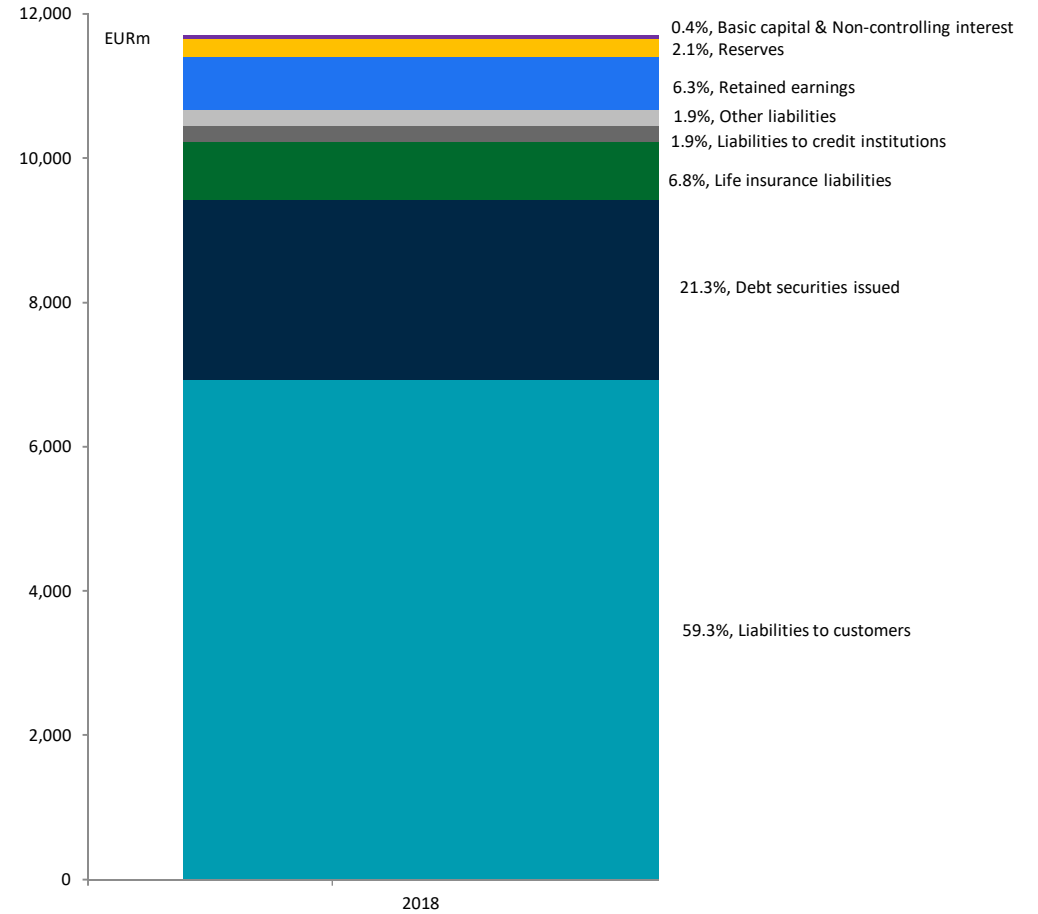
Source: Savings Banks Group



Savings Banks Group – Overview of assets and liabilities

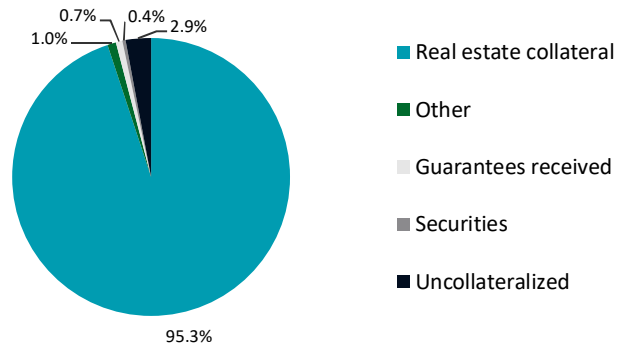


Source: Savings Banks Group

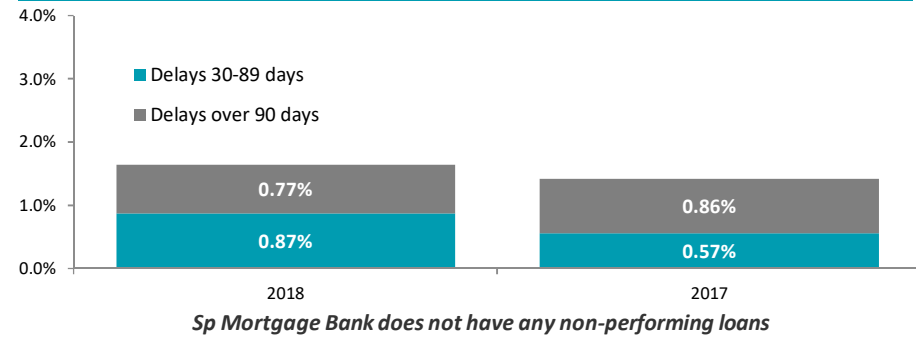


Loan portfolio with good credit quality

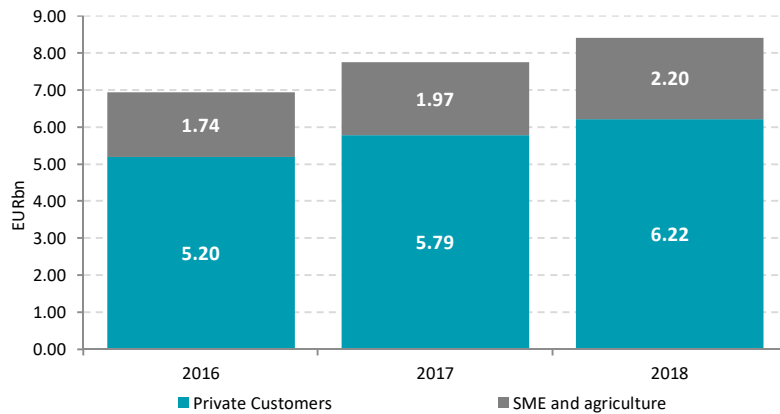
Loan exposure by collateral type (Dec 2018)



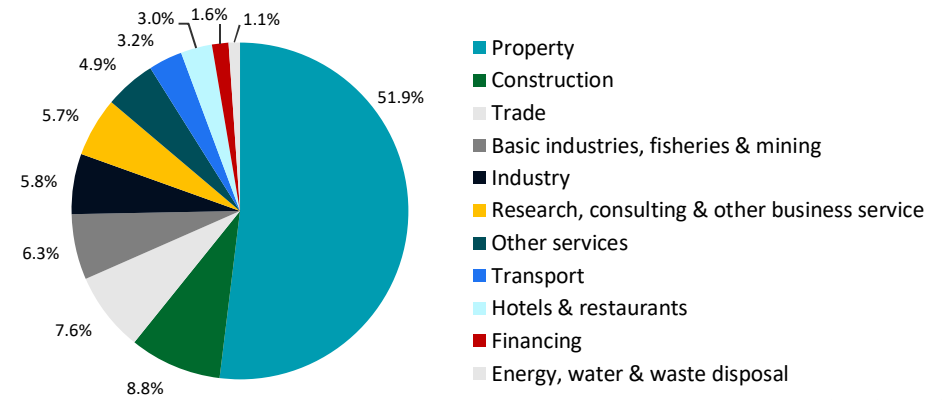
Non-performing loans have remained low and stable



Loan portfolio development



Corporate (SME) lending exposures by industry



Source: Savings Banks Group



Strong capital adequacy and solid capital base

- At the end of 2018, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital— CET1 ratio was 17.6% and total capital ratio 18.2%.
- Tier 2 capital base amounted to EUR 29.7 million and total capital base was EUR 978.0 million.
- The capital requirement of Savings Banks Amalgamation was EUR 593.9 million that equals to 11.0 % of risk-weighted assets. The capital requirement is formed by:
 - 8 % minimum capital requirements set by Capital Requirement Regulation (CRR),
 - 2.5 % CET1 capital conservation buffer of according to the Act on Credit Institutions,
 - 0.5 % CET1 Pillar II requirement of set by the Financial Supervisory Authority and
 - The country-specific countercyclical CET1 capital requirements of foreign exposures.
- The systemic risk buffer requirement for Savings Banks Amalgamation will be 1 % of risk weighted assets and this requirement enters into effect on 1 July 2019.
- Capital adequacy will be kept at strong levels also going forward.

Own funds (EUR million)	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Common Equity Tier 1 (CET1) before adjustments	986.8	969.7	915.7	849.8
Regulatory adjustments to CET1	-38.5	-30.6	-27.8	-25.3
Common Equity Tier 1 (CET 1) capital	948.2	939.1	887.9	824.5
Additional Tier 1 (AT1) capital	0	0	0	0
Tier 1 capital (T1 = CET1 + AT1)	948.2	939.1	887.9	824.5
Tier 2 (T2) capital before regulatory adjustments	29.7	45.5	48.7	44.8
Tier 2 capital	29.7	45.5	48.7	49.7
Total capital (TC = T1 + T2)	978.0	984.6	936.6	874.3

Capital ratios	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Common Equity Tier 1 ratio, %	17.6 %	18.2 %	18.5 %	17.8 %
Tier 1 ratio, %	17.6 %	18.2 %	18.5 %	17.8 %
Total capital ratio, %	18.2 %	19.1 %	19.5 %	18.8 %

Source: Savings Banks Group



Capital requirement driven by credit risk

- The Amalgamation's credit risk and market risk for currency position are calculated using **the standard model**. Operational risk capital requirement is calculated with the basic method.
- Major part of the capital requirement comes from credit risk (89% at 31 December 2018).
- The Amalgamation has no trading activity for own or customers' account. The member credit institutions may have a so-called small trading book as defined in article 94 of the CRR.
- Capital requirement for market risk is based on the currency risk, calculated by combined positions from the member banks.

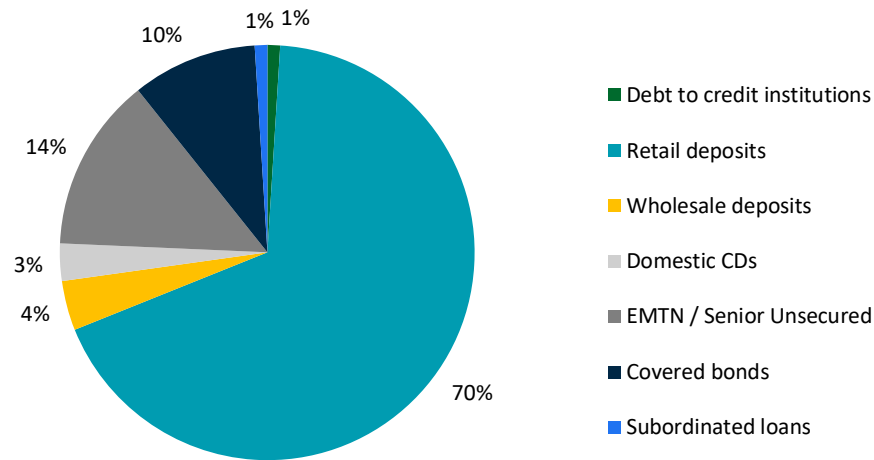
Capital base (EUR million)	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Total capital base	978.0	984.6	936.6	874.3
Capital requirements for credit risk	385.3	368.2	340.0	327.8
Capital requirement for CVA	5.8	5.8	7.9	8.4
Capital requirement for market risk	3.1	3.2	2.8	3.8
Capital requirement for operational risk	36.7	36.1	33.7	31.5
8 % minimum capital requirement	430.8	413.3	384.4	371.5
Capital buffer (after 8% minimum capital requirement)	571.3	571.3	552.2	502.8

Source: Savings Banks Group

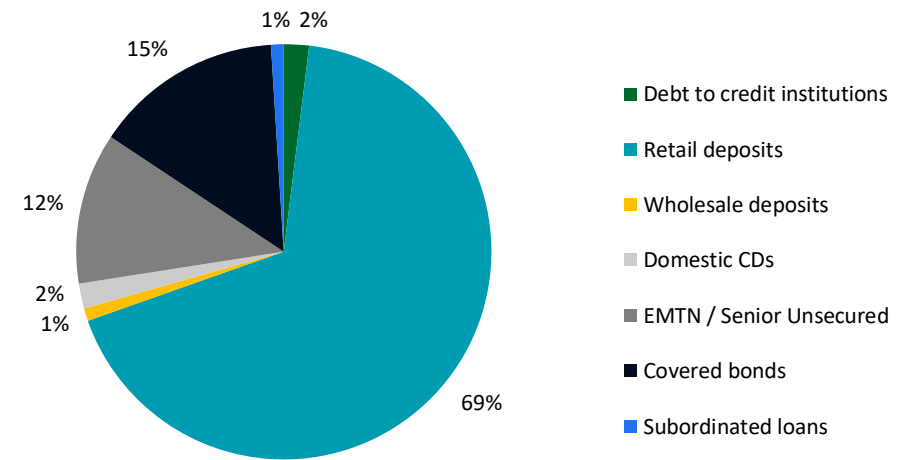


Solid funding and liquidity position

Amalgamation's funding base, as of 31 December 2018



Amalgamation's expected funding base, by YE 2021*



*The 2021 funding composition is a projection based on medium term planning data of the Group

- Being compliant with the MREL requirement starting from 31.12.2018 does not require issuing of Non-Preferred instruments. The requirement is currently covered by using own funds and senior unsecured debt.
- In 2019, the Group plans to issue one public covered bond. There will be no public EMTN issuances in 2019, however occasional PPs are possible.
- As of 31.12.2018, the Amalgamation level LCR was at 158%. The liquidity buffer consisted 77% of ECB receivables and 16% of Government Bonds.

Source: Savings Banks Group



Sp Mortgage Bank & Contemplated Transaction



Savings Bank

Sp Mortgage Bank in brief

- Sp Mortgage Bank Plc is the covered bond funding vehicle of Savings Banks Group
- Licensed by the European Central Bank to issue covered bonds according to the Finnish covered bond legislation (Covered Bond Act (688/2010) or CBA)
- Sp Mortgage Bank's sole purpose is to raise funding for Savings Banks Group by issuing covered bonds with mortgage collateral
- Sp Mortgage Bank is 100% owned by the Savings Banks in the Group
- The covered bonds issued are rated AAA by S&P and are ECB eligible
- In addition to the joint liability, covered bond investors will benefit from the ring-fenced structure of the cover pool. Sp Mortgage Bank benefits fully from the joint liability based on the Act on the Amalgamation of Deposit Banks

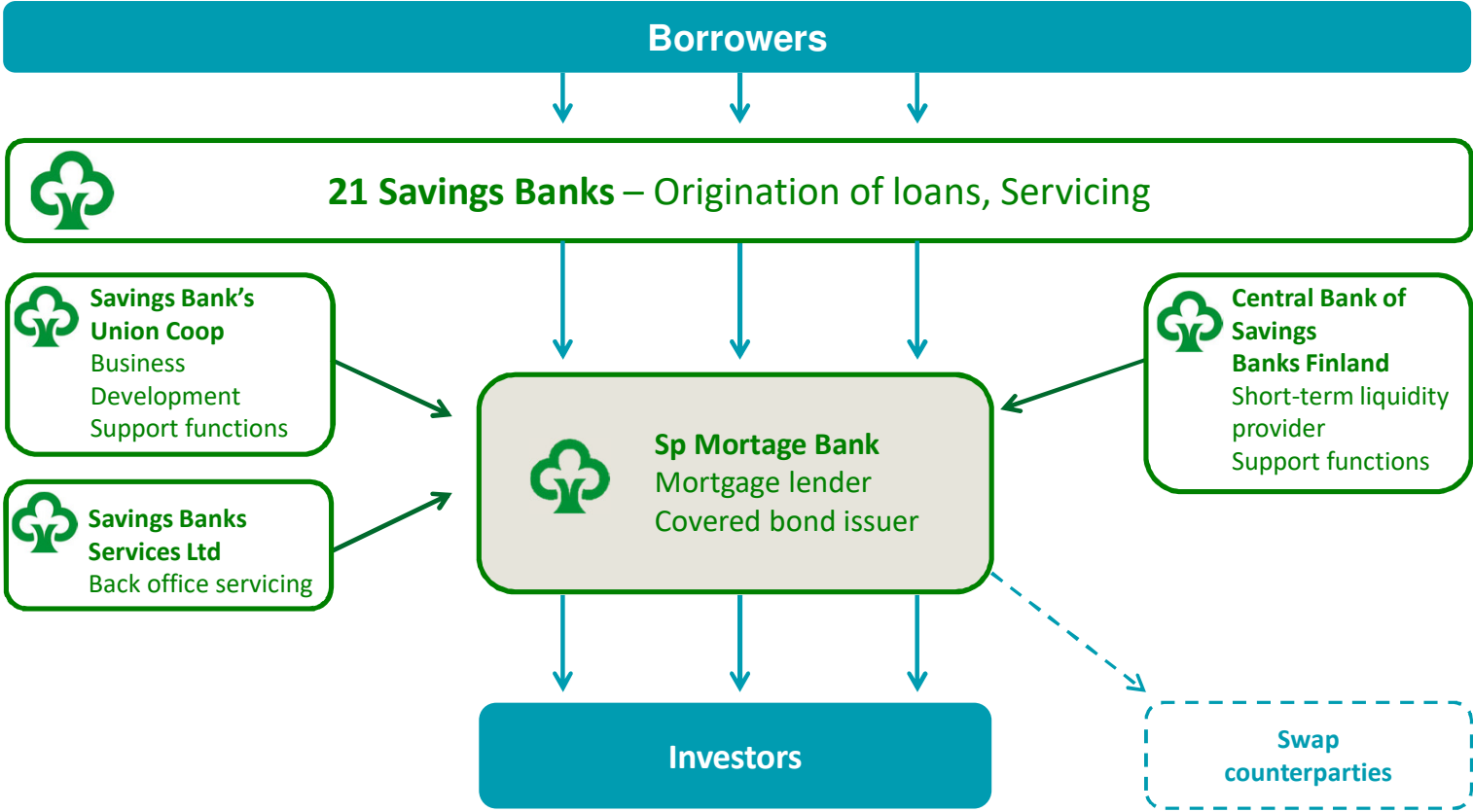


Sp Mortgage Bank's covered bond programme complies with European Covered Bond Council's (ECBC) Covered Bond Label

Read more about ECBC Covered Bond Label at www.coveredbondlabel.com



Sp Mortgage Bank - Operating model and roles



Cover pool characteristics as of 31 March 2019

Pool size	EUR 1,807.9 million
Collateral	100% Finnish prime mortgages
Geographical distribution	Throughout Finland, a majority in growth centers and their close proximity
Average loan size	EUR 87,500
Number of loans	21,252
Average LTV (indexed/unindexed)	58.5% / 57.9%
Average seasoning	34.0 months
Non-performing loans / loans in arrears	0 bp / 14 bps
Interest base	98.3% variable, 1.7% fixed
Over-collateralisation	80.8%

Source: Sp Mortgage Bank Plc



Geographically well diversified cover pool

The cover pool is well diversified throughout Finland with the majority of the pool in close proximity to key growth centers



Regional distribution of cover pool as of 31 March 2019

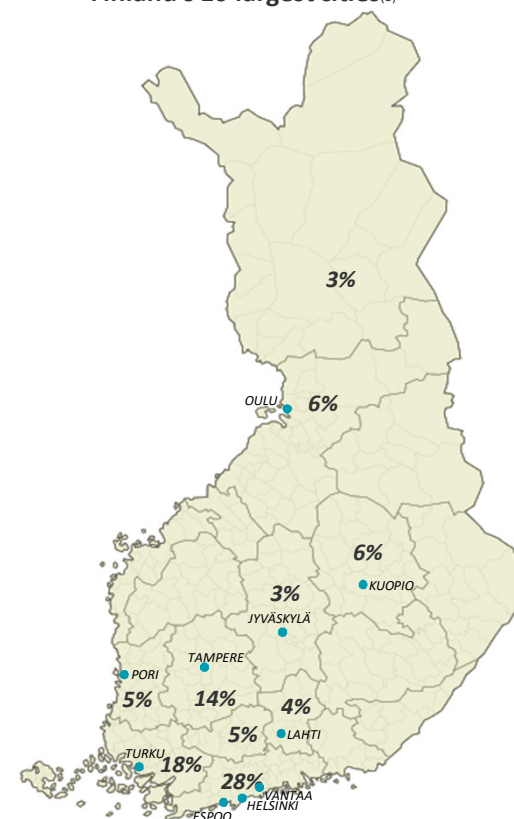
Region	Major City	Region's Population ⁽¹⁾	Mortgages, EUR mn ⁽²⁾	Share of the pool ⁽²⁾
Uusimaa	Helsinki	1,671,024	513	28 %
Varsinais-Suomi	Turku	478,582	320	18 %
Pirkanmaa	Tampere	515,095	261	14 %
Pohjois-Savo	Kuopio	245,602	114	6 %
Pohjois-Pohjanmaa	Oulu	412,161	103	6 %
Satakunta	Pori	218,624	95	5 %
Kanta-Häme	Hämeenlinna	171,364	86	5 %
Päijät-Häme	Lahti	200,629	71	4 %
Keski-Suomi	Jyväskylä	275,521	53	3 %
Lappi	Rovaniemi	178,522	49	3 %
Rest of Finland	-	1,150,795	143	8 %
TOTAL		5,517,919	1,808	100 %

Sources: (1) Statistics Finland: Finnish Regional Population 31.12.2018

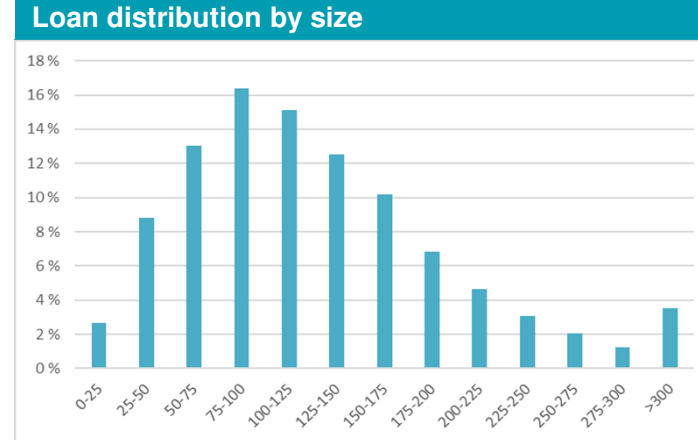
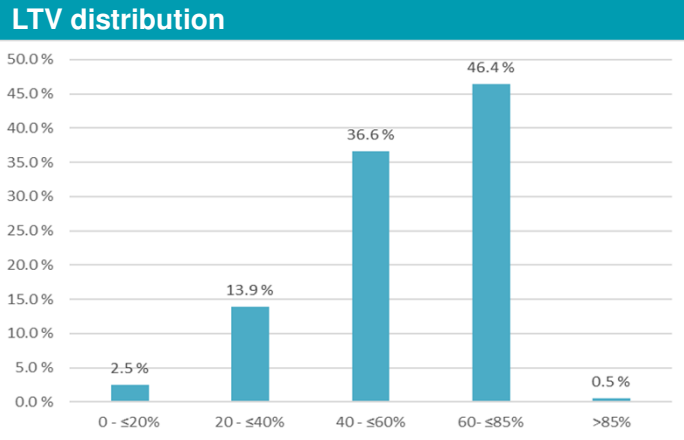
(2) Sp Mortgage Bank Plc

(3) Statistics Finland: City population 31.12.2018

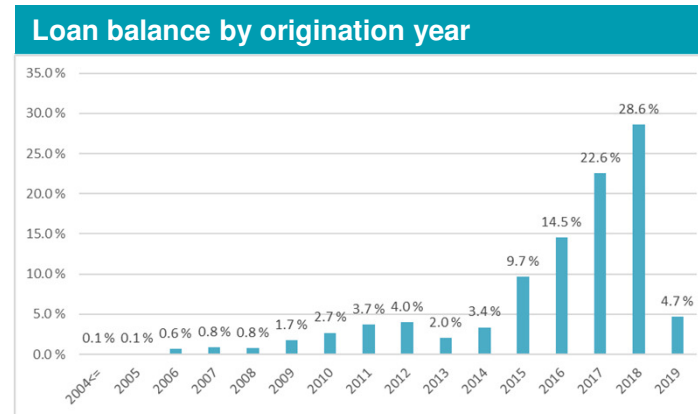
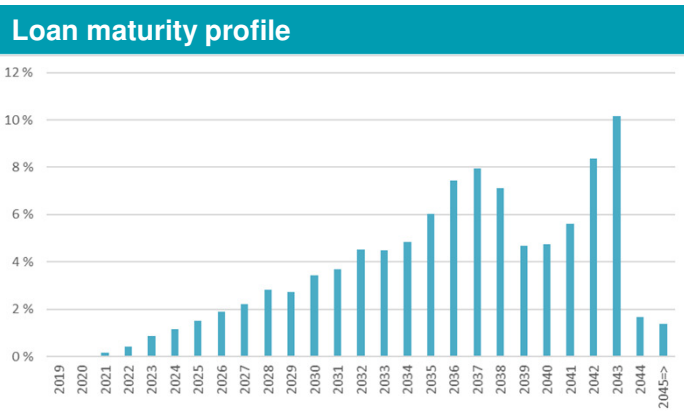
Regional distribution of cover pool and Finland's 10 largest cities⁽³⁾



Breakdown of cover pool as of 31 March 2019



Loan balance, EUR thousand



Source: Sp Mortgage Bank Plc



Underwriting criteria

Sp Mortgage Bank's credit policy	<ul style="list-style-type: none"> • Aligned with the overall credit policy of the Savings Banks Group • Complies with the requirements of the CBA
Customer identification	<ul style="list-style-type: none"> • Customers must be identified and verified, also regarding age and legal capacity • Customers' background and financial position must be determined, including both external (credit bureau) and internal payment defaults
Customer scoring	<ul style="list-style-type: none"> • A customer is scored every time when applying for a new mortgage
Income verification	<ul style="list-style-type: none"> • Customers' income is always verified • For current customers income and source of the income can be checked on bank account details in the bank • For new customers income is checked by using pay slips and/or taxation information
Assessment of the customer's repayment ability	<ul style="list-style-type: none"> • A customer must have sufficient repayment abilities for the repayment of the loan • When calculating customers' available income for interest and loan management costs, exposures to Amalgamation and other parties are taken into account • Stress test with a 6% fixed interest rate level and 25 years maximum repayment period
Follow-up	<ul style="list-style-type: none"> • Existing loan stock is scored on a monthly basis with a scoring model taking into account changes in customers' payment behaviour



Collaterals, loan decision, servicing and collection

Collaterals

- All collaterals are located in Finland
- Only residential purposes (real estates or shares in housing companies)
- Only priority ranking pledges
- Valuation must be independent of the credit decision process
 - Either market valuation that is maximum of one year old
 - Both contract of sale and valuation certificate
 - Genuine (not between related parties) recent contract of sale
 - Or by an external qualified evaluator
- Revaluation quarterly based on the housing index data provided by Statistics Finland

Loan decision

- Preparation of a loan decision and actual loan decision must always be done by two separate persons
- Loan-to-Value ratio is max 70% or with a State Guarantee up to 85%

Servicing and collection

The originating Savings Banks are responsible for:

- Servicing the Mortgage Loans together with the Back Office company
- Collection / foreclosure processes as any non-performing Mortgage Loan is transferred back to the originating Savings Bank



Contemplated transaction and indicative terms

Issuer	Sp Mortgage Bank <SPMTBK Corp>
Type	Finnish Covered Bond
Expected Issue Rating	AAA (S&P)
Maturity	7 years (soft bullet)
Size	EUR 500 million (no-grow)
Coupon	Fixed
Documentation	The Issuer's EUR 3bn Covered Bond Programme dated 27 March 2019
Law	English Law
Listing	Irish Stock Exchange
Denominations	EUR 100,000 + 1,000
Target market	Eligible counterparties and professional clients only
Lead Managers	BNP Paribas, Deutsche Bank, LBBW, Nordea

- Sp Mortgage Bank is contemplating an issuance of a EUR 500 million Covered Bond with a 7-year maturity.
- The issue will be ECBC Covered Bond label compliant as well as ECB repo and LCR Level 1B eligible.
- BNP Paribas, Deutsche Bank, LBBW and Nordea have been mandated as lead managers for the transaction.



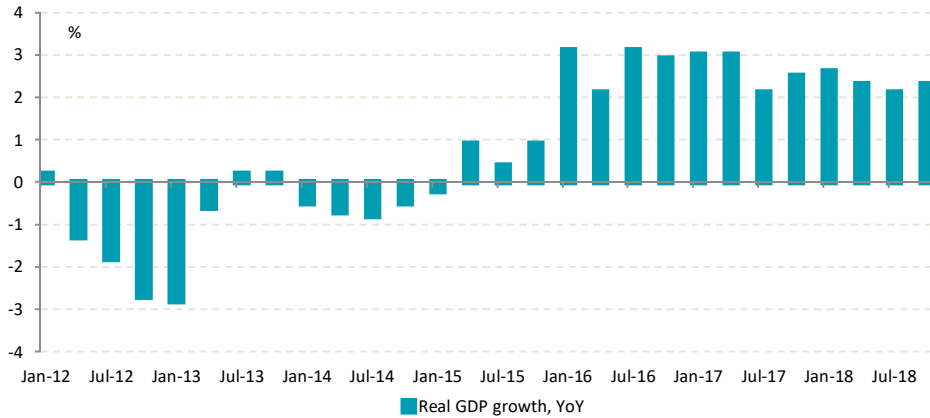
Macro and housing market overview



Savings Bank

Finnish economy grows and operates more efficiently

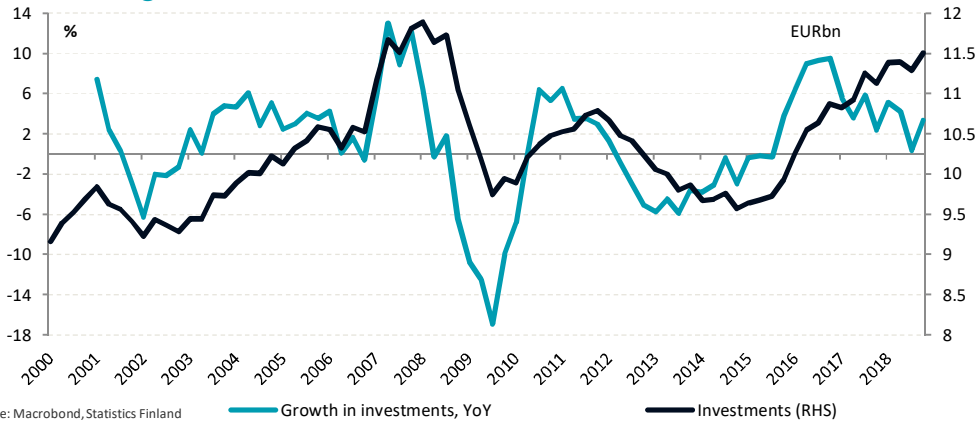
The economy has seen robust growth in recent years



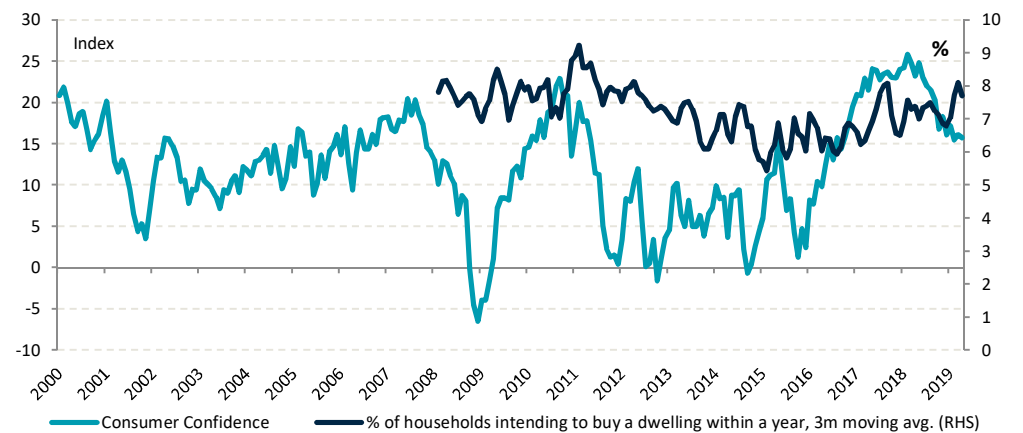
Unemployment rate falling and employment at record-high levels



Constant growth in investments since 2015



Consumer confidence at high levels whilst households plan to buy houses

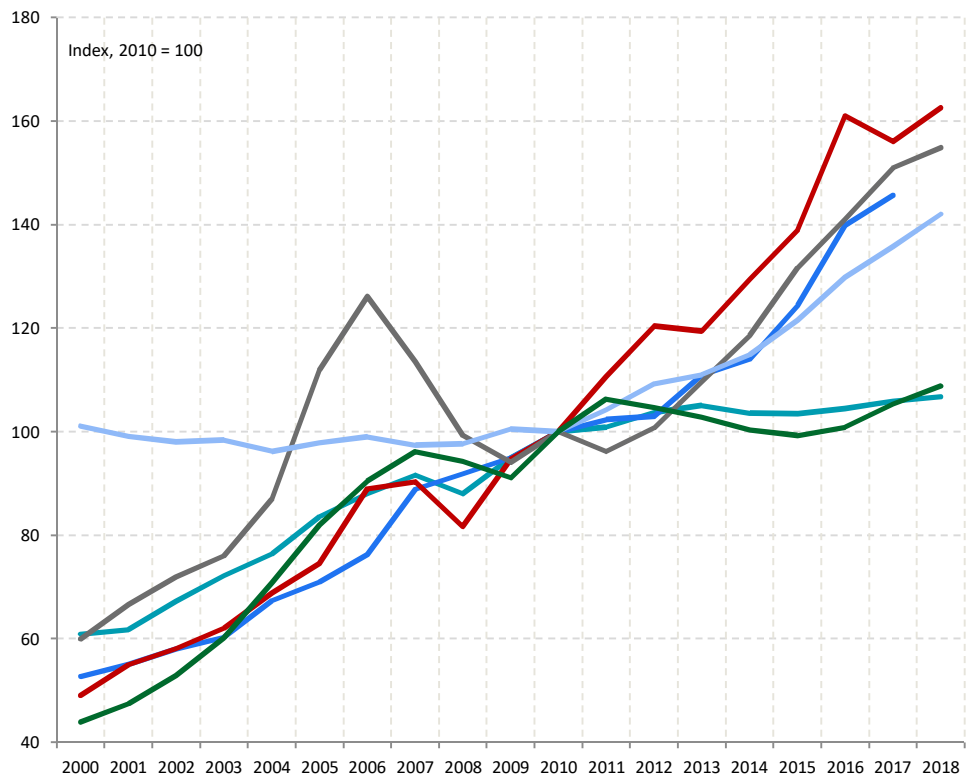


Source: Macrobond, Statistics Finland

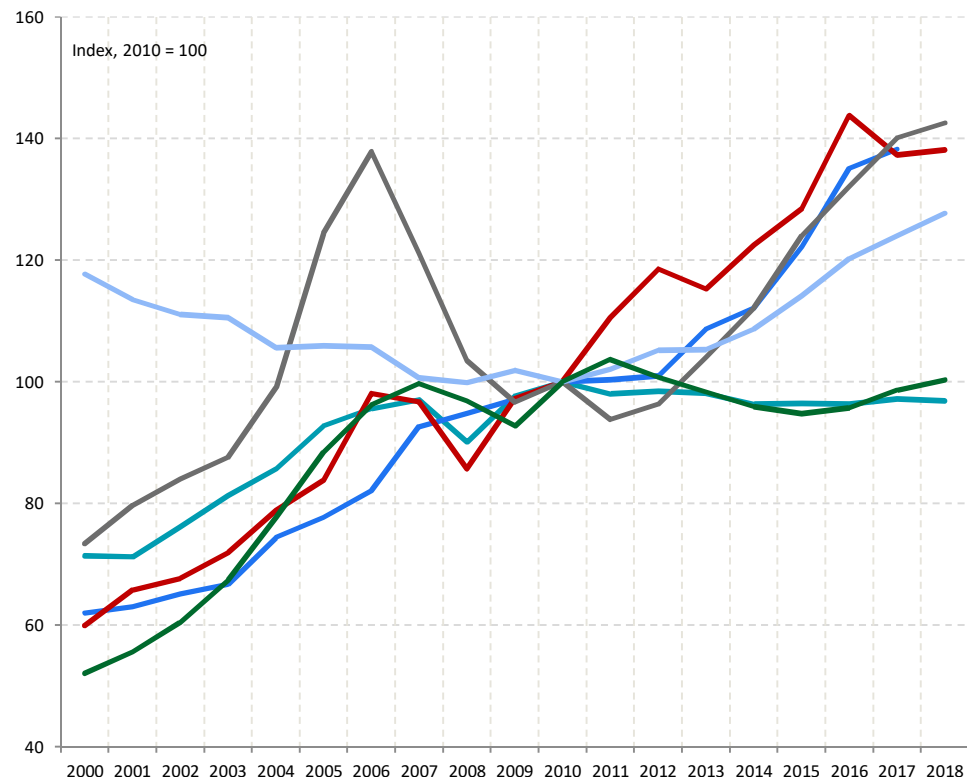


Price stability in the Finnish housing market

Nominal house price indices, 2010 = 100



House price indices deflated by CPI, 2010 = 100



Finland Sweden Norway Denmark Germany France

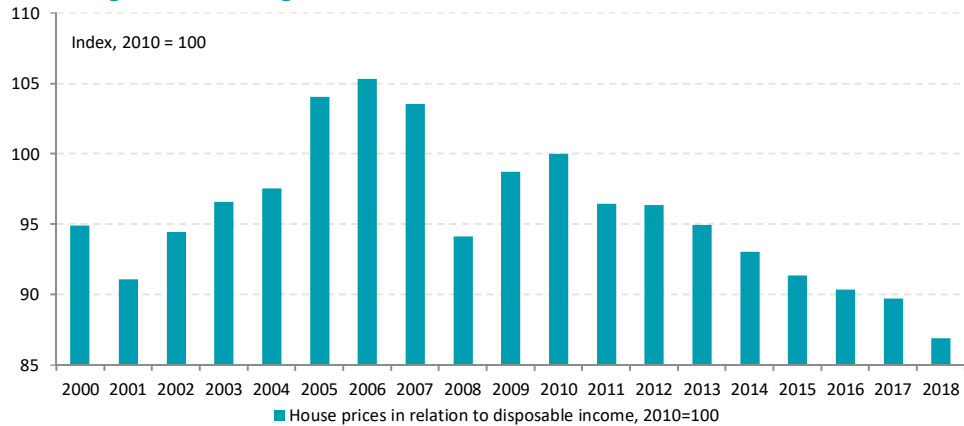
Finland Sweden Norway Denmark Germany France

Source: Macrobond, Statistics Finland

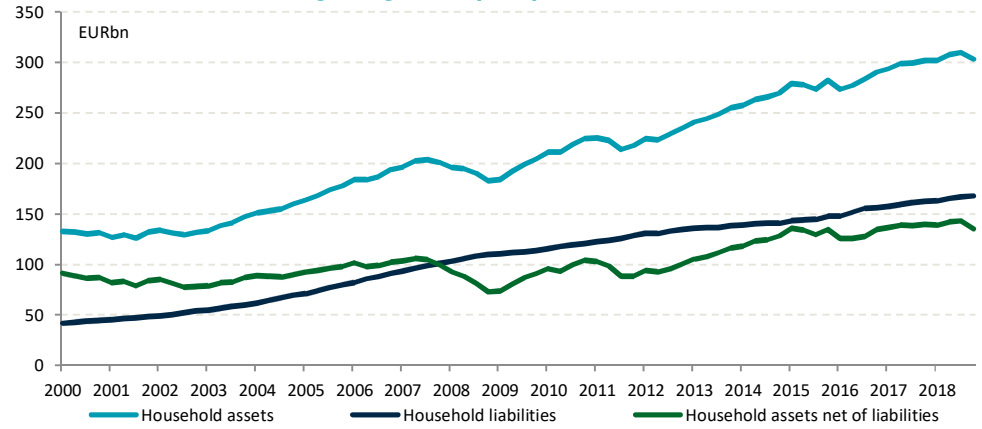


Affordability of housing and limited household indebtedness

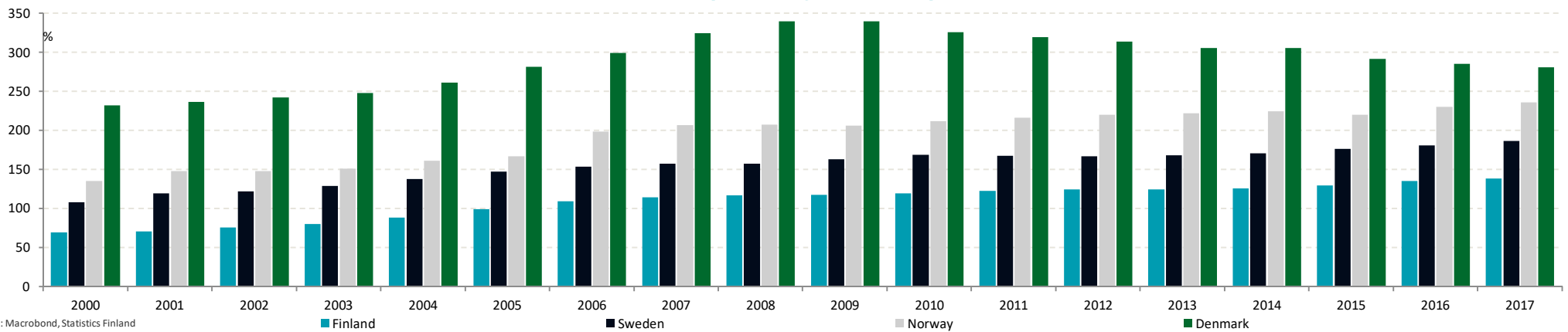
Housing is becoming more affordable in Finland



Finnish households are getting more prosperous



Limited indebtedness of Finnish households – household debt as a percentage of net disposable income



Source: Macrobond, Statistics Finland

Appendices



Savings Bank

Central Bank of Savings Banks Finland rated 'A- / A-2'

S&P Global

**A- / A-2
stable outlook**

S&P Global Ratings Analysis dated August 09, 2018:

“The stable outlook on Central Bank of Savings Banks Finland (Sp Central Bank) reflects S&P Global Ratings' view that the wider Savings Bank Group's strategic development as an amalgamation of deposit banks and the benign economic environment in Finland will support the group's business generation and operational efficiency over the next two years. Sp Central Bank is the group's central credit institution. We believe that the group's efforts in terms of common franchise, strategy, and risk management, as well as its more diversified funding profile, will improve its growth prospects and market position.”

“Sp Central Bank is the central credit institution of Savings Bank Group, and the ratings therefore reflect the wider group's franchise and creditworthiness. We base our ratings on the solid mutual business model and deeply rooted regional franchise. This is accompanied by high and sustainable capital levels. At the same time, we factor into our ratings the group's concentrated activities, by geography and business, which result in limited earnings diversification and higher risks compared to larger peers.”

“Although concentrated outside Finland's growth centers, the regional retail franchise of the savings banks enables the group to maintain a stable stream of operating profits. In turn, this supports the group's high capitalization levels, despite sustained loan growth. We view the group's capital as a strength, based on risk-adjusted capital (RAC) ratio forecasts of 18.0%-18.5% in the next 12-24 months. The concentration risks in the group's residential mortgage loan book partially balance our assessment of the group's high capital base. The ratings take into account the sound funding profile, dominated by customer deposits, and its comfortable liquidity position.”

“We believe that despite its ambitions to grow the franchise over the coming years, the group will maintain a prudent lending strategy, which we expect will provide stability to its financial position. Although Savings Bank Group still has a fairly short track record of operating as a cohesive banking group, we regard its legal set-up as a mutual group as positive. This set-up will support the group's long-term financial targets, and aligns well with the group's prudent approach to managing risks, in our view.”



Act on Mortgage Credit Bank Operations 1/2

- **Act on Mortgage Credit Bank Operations** (CBA, statute 688/2010)
- Segregation of assets in the bond register (issued covered bonds, collateral, relevant derivative contracts)
- Covered bonds are issued either by specialized mortgage credit bank or any licensed credit institution authorized by FIN-FSA to engage mortgage credit bank business
- Cover pool can consist of mortgage collateral (both residential and commercial) and public sector loans. LTV for residential mortgage assets 70% and 60% for commercial mortgages.
- **Matching collateral requirements**
 - Total value of the cover pool must exceed the outstanding amount of issued covered bonds
 - Over-collateralization requirement set as net present value of the cover pool has to exceed that of the covered bonds by 2%.
- **Liquidity requirements**
 - Average maturity of issued covered bonds must not exceed the average maturity of the mortgage loans in the cover pool
 - For any 12 month period the accrued interest of the cover pool assets must exceed the total amount payable for covered bonds and derivative transactions
- Swap counterparties to covered bond programs rank equally with bondholders if the issuer becomes insolvent. This improves the chances of attracting third-party counterparties to provide hedging for the programs, even after the issuer defaults.
- Streamlined set-up if the covered bond issuer becomes insolvent. Effective ring fencing of the assets will allow the dedicated administrator to take charge of the cover pool to repay covered bonds when they fall due



Act on Mortgage Credit Bank Operations 2/2

- **Bankruptcy remoteness and preferential claim**
 - Covered bond shall be paid until its maturity in accordance with the terms and conditions of the covered bond from the funds accruing on the cover pool assets of the covered bond before other claims
 - Holders of covered bonds together with counterparties of registered derivatives and bankruptcy liquidity loans in bankruptcy would rank pari passu and in respect of each Mortgage Loan included in the cover pool for a covered bond, the priority of payment right in accordance with Section 25 of the CBA is limited to a maximum amount which corresponds to 70% in respect of Housing Loans and to 60% in respect of Commercial Property Loans of the current value of shares or real estate which stand as collateral
- **Post-bankruptcy procedures**
 - When the issuer has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall, without delay, appoint a supervisor in accordance with Section 29 of the Finnish Act on the Financial Supervisory Authority to protect the interests of creditors of covered bonds and creditor entities comparable to such and to enforce their right to be heard
 - In bankruptcy proceedings the courts will by operation of law appoint a bankruptcy administrator to administer the bankruptcy estate. The cover pool will be run by the bankruptcy administrator, but the supervisor will supervise the bankruptcy administrator, acting in the interest of the holders of the covered bonds.
 - To the extent that claims of the Covered Bondholders in respect of the Covered Bonds are not met out of the Cover Pool, the residual claims of the Covered Bondholders will rank pari passu with the unsecured and unsubordinated obligations of the Issuer.



Investors' position is stronger in the Amalgamation

Joint liability

- **The Amalgamation improves investors' position because the liability for repayment of debt does not lie with an individual entity but within the central institution and the member credit institutions in accordance with the Amalgamations Act.**
- The Amalgamation is based on the principle that it is a stable and permanent structure. In practise, it acts like one operator without being a conglomerate.
- Under the Amalgamations Act, the central institution and the member credit institutions are **jointly liable for each others' debts and commitments**:
 - The central institution is liable to pay, as a support measure, to any of its member credit institutions an amount that is necessary to prevent that member credit institution from being placed in liquidation.
 - Each member credit institution shall be liable to pay to the central institution, in proportion to their last adopted balance sheets, the amount paid by the central institution.
 - Furthermore, upon insolvency of the central institution, a member credit institution shall have unlimited refinancing liability for the central institution's debts.
- **In the Amalgamation of Savings Banks the joint liability currently comprises 21 Savings Banks, CBSBF, Sp Mortgage Bank and the Union Coop (the central institution).**



The Amalgamation of Savings Banks

- The Amalgamation of Savings Banks is an amalgamation defined in the Act on the Amalgamation of Deposit Banks (“Amalgamations Act”, Laki talletuspankkien yhteenliittymästä 599/2010).
- **Under the Amalgamation Act, the Union Coop as the central institution has the obligation to supervise the operations of the member credit institutions and issue instructions to them on risk management, good corporate governance and internal control to secure liquidity and capital adequacy, as well as instructions on compliance with uniform accounting policies in the preparation of the amalgamation's consolidated financial statements.**
- The Union Coop may confirm general operating policies for the member credit institutions to be followed in their operations that are significant for the Amalgamation.
- The minimum capital requirement and liquidity of the companies within the Amalgamation of Savings Banks is controlled on a consolidated basis.



Early Intervention model

Prevents a bank from going in a wrong direction at an early stage

**The Act on the Amalgamation of
Deposit Banks**

**The bylaws of the Savings
Banks' Union Coop**

**The internal operational
principles**

(No legal requirement for these
principles)

**The Early Intervention
model**

- The Union Coop oversees the Group's liabilities and reports to the regulator, Finnish FSA.
- For decision making and prevention of any savings bank in the Group from going to a wrong direction, there is an additional internal framework and an early intervention model which have been agreed and adopted within the Group.
- **CBSBF and Sp Mortgage Bank fully benefit from the joint liability based on the Act on the Amalgamation of Deposit Banks. In addition, covered bond investors benefit from the ring-fencing of the assets in its Cover Pool.**



Disclaimer

This presentation has been prepared solely for use at this presentation. By attending the meeting where this presentation is made, or by reading the presentation slides, you agree to be bound by the following limitations.

This presentation does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of Sp Mortgage Bank Plc (the "Company"), in any jurisdiction or an inducement to enter into investment activity. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of a prospectus, offering circular or other equivalent document (a "prospectus") and any decision to purchase or subscribe for any securities pursuant to such offer or invitation should be made solely on the basis of such prospectus and not these materials.

This presentation has been prepared solely for use in connection with the presentation of the Company. The information contained in this document is strictly confidential and is being provided to you solely for your information and cannot be distributed to any other person or published, in whole or in part, for any purpose. It may not be reproduced, redistributed, passed on or published, in whole or in part, to any other person for any purpose. Failure to comply with this and the following restrictions may constitute a violation of applicable securities laws. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. None of the Company or any of their respective affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with the presentation.

These materials are not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. In particular, these materials (a) are not intended for distribution and may not be distributed in the United States or to U.S. persons (as defined in Regulation S) under the United States Securities Act of 1933, as amended and (b) are for distribution in the United Kingdom only to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order."

Investors may get back less than they invested. The Company gives no assurance that any favourable scenarios described are likely to happen, that it is possible to trade on the terms described herein or that any potential returns illustrated can be achieved.

This document offers no investment, financial, legal, tax or any other type of advice to, and the Company has no fiduciary duties towards, any recipients and therefore any such determination should involve, inter alia, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of the securities or such transaction. The Company makes no representation nor gives any warranty as to the results to be obtained from any investment, strategy or transaction, nor as to whether any strategy, security or transaction discussed herein may be suitable for recipients' financial needs, circumstances or requirements. Recipients must make their own assessment of such strategies, securities and/or potential transactions detailed herein, using such professional advisors as they may require. No liability is accepted for any direct or consequential losses arising from any action taken in connection with or reliance on the information contained in this document even where advised of the possibility of such losses.



Contact details

Kai Brander
Treasurer
E-mail : kai.brander@saastopankki.fi
Tel. +358 50 384 8220



 Sp Mortgage Bank Plc

Teollisuuskatu 33
00510 Helsinki
Finland

Read more at www.saastopankki.fi/debtinvestors



Thank you!

www.saastopankki.fi



Savings Bank