SAVINGS BANKS GROUP'S

RELEASE OF FINANCIAL STATEMENT 1 JANUARY–31 DECEMBER 2020

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Review by the Managing Director of the Savings Banks' Union Coop

The COVID-19 pandemic made 2020 an unusual year for the entire world, and the Savings Banks Group was no exception. The financial year got off to a brisk start in both lending and asset management services. However, things changed quickly when the COVID-19 pandemic spread to Finland in early March.

The pandemic led to a nearly complete loss of predictability in the operating environment. Companies became less willing to invest and were only interested in working capital financing and liquidity management. For a period of time, people were not interested in loan-financed housing or other large investments. The automotive trade and transport sector were brought almost to a complete halt. The wholesale financing market was practically shut down in many respects at the turn of March–April. Comparisons were made to the 2008 financial crisis but, other than that, there were hardly any available examples for how to respond to the situation.

The Savings Banks Group's first priority during the COVID-19 spring – as it always is – was to ensure that customers have continued access to the financial flexibility required by the situation and the prevailing uncertainty. The Savings Banks Group extended a helping hand to customers by offering instalment-free periods on loans, for instance. Equally importantly, the Group distributed information on other available financing opportunities and the development of the macroeconomic situation. A tremendous number of customers took these opportunities and the Group was able to maintain and grow its customers' confidence about making it through the pandemic. The instalment-free periods also created significant consumption potential in the broader economy by eliminating the need to make loan repayments.

A record amount of funds was withdrawn from investment funds across Finland in March. However, Savings Banks Group customers responded to the situation fairly well, as evidenced by the growth in the Savings Banks Group's market share of investment funds during the year. The customers reaped the benefits from this when the investment markets quickly recovered after the initial shock. Savings Banks Group's assets under management did decrease in the spring but resumed growth later in the year. Wealth being shifted out of investment funds partly explained the strong growth in deposits.

The climate in the economy and the financial markets improved and the Savings Banks' business began to pick up again in the summer. The demand for loans recovered, more money began to flow into investment funds and the economy as a whole began to show signs of recovery. Activity in the housing market, holiday home market and home improvement market increased significantly. Together with the instalment-free periods, this enabled the growth of the Group's loan portfolio and net interest income from the summer onwards. In the autumn, it became apparent that people's confidence in their finances had recovered and the year turned out to be very good for the Savings Banks Group. Net interest income grew by 3,4 per cent and net fee and commission income increased by 10,4 per cent. Growth was particularly strong in asset management service fees and payment transaction fees.

The Savings Banks Group's strategic goal is to create the market's best combination of digital and face-to-face services for its customers today and in the future. The year 2020 showed that we are well on the path towards achieving this goal.

The pandemic crisis has accelerated the trends that are changing bank customer behaviour. In response to the pandemic, customers increasingly shifted to digital mobile and online banking services, telephone services and online meetings. Recognising these changes in customer needs, we made it possible to start a customer relationship with a Savings Bank without visiting a branch in person. The increased volume of phone calls and online messages occasionally stretched the capacity of our customer service but, ultimately, it can be said that the Savings Banks Group's telephone and digital customer service is among the best in the industry. From one year to the next, surveys show that the customers of Savings Banks are among the most satisfied bank customers. One particularly significant achievement in 2020 was that the annual EPSI Rating customer survey of the banking and finance industry revealed that the Savings Banks Group had the most satisfied corporate customers in Finland and the entire Nordic region.

The COVID-19 pandemic changed not only customer behaviour but also the way the banking group's employees work. We switched primarily to remote work throughout the Group over one weekend in March. The events in 2020 and the digital leap caused by the COVID-19 pandemic proved that our significant investments in the digital transformation, the customer experience and joint services were well-founded. Indeed, we can say that the most important success of the Savings Banks Group's strategy has been that Savings Banks have been able to deliver market-leading service to their customers in spite of the challenges created by the COVID-19 pandemic.

Tomi Närhinen

CEO,
Savings Banks' Union Coop

The Savings Banks Group and the Savings Banks Amalgamation

The Savings Banks Group is the most longstanding banking group in Finland, which consists of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop that acts as the Central Institution and the subsidiaries and associated companies owned jointly by the banks.

The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Savings Banks 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 Plc and the companies within the consolidation groups of the above-mentioned entities, as well as Savings Bank Services Ltd and Sp-Fund Management Company Ltd. The coverage of the Savings Banks Group differs from that of the Savings Banks Amalgamation in that the Savings Banks Group also includes institutions other than credit and financial institutions or service companies. The most notable of these are Sb Life Insurance Ltd and Sp-Koti Oy.

During the financial year, two savings bank mergers were completed. Huittisten Säästöpankki merged with Aito Säästöpankki and Sysmän Säästöpankki merged with Helmi Säästöpankki. Due to these mergers, the number of savings banks in the Amalgamation and in the Savings Banks Group declined from 20 to 18 banks. These mergers have no effect on the Savings Banks Group's profit, as they are intra-group transactions.

As previously announced, on 6 November 2020 the Savings Banks Group acquired Oma Savings Bank Plc's shares in Nooa Savings Bank Ltd, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd, Säästöpankkien Holding Oy and Central Bank of Savings Banks Finland Plc. The acquisition of the minority interests did not have an effect on the Savings Banks Group's result. The transaction included 73,414 Nooa Savings Bank Ltd shares, of which 4,840 shares required the ECB's approval for the transaction to take effect. The authorities' approval was obtained and the transaction took place in January 2021.

On 10 November 2020, Eurajoen Säästöpankki and Mietoisten Säästöpankki announced that they would start merger negotiations with Oma Savings Bank. Decisions on this will be made during the spring 2021.

Further information about the structure of the Savings Banks Group can be found at *www.saastopankki.fi/saastopankkiryhma*.

Description of the operational environment

Global economic outlook

The year 2020 started in an atmosphere of emerging economic optimism. The International Monetary Fund (IMF) predicted that the global economy would grow by 3.3 per cent in 2020, in other words: slightly more than last year. Then, during the first weeks of the year, the world became aware of a new coronavirus spreading in China. When the virus began spreading elsewhere, it became evident that it was a global pandemic. Various countries introduced shutdowns and restrictions on movement aimed at preventing the spread of the virus. The restrictions and caution among people also had an unprecedented negative impact on the economy.

The most significant economic shock was seen in the second quarter, with many countries seeing historically sharp declines in GDP. The situation with infections improved in the summer, leading to a rapid economic recovery. COVID-19 case numbers began to increase again in the autumn, which was reflected in economic indicators. However, the economic impacts of the second wave of the pandemic were less severe, as societies had learned to live with the virus to some extent and the restrictions on economic activity were not as strict as in the first wave of the pandemic in the spring.

In response to the COVID-19 crisis, governments around the world have introduced various financial policy stimulus measures aimed at helping businesses and households overcome the economic crisis caused by the pandemic. In Europe, the focus of stimulus measures has been on preserving jobs, while in the USA the emphasis has been on direct payments to consumers. National debt has risen quickly in many countries due to the stimulus measures. Central banks have also been alerted and supported the financial markets through massive support measures.

The world economy as a whole is expected to contract by approximately 4% in 2020. Economic development during the year was characterised by fluctuations that reflected the spread of the virus. When COVID-19 case numbers grew, the economy suffered. Conversely, when the number of cases declined, the economy began to recover. The development of the economy was dictated by COVID-19, but there were also other significant events in 2020. The most significant of these were the US presidential election and the Brexit deal in December.

The industry that was the hardest hit by the COVID-19 crisis was naturally the service sector, where social contact is frequent. The industrial sector has also suffered from the pandemic, although the impact has not been as severe as feared. Indeed, the industrial sector turned out to be surprisingly resilient during the second wave of the pandemic late in the year.

Although COVID-19 has had an adverse impact on the economy across the world, there are significant differences between countries. In China, the disease has been kept under control after the first wave and the Chinese GDP has already exceeded the pre-crisis level. In addition to the successful management of the situation with infections, China has benefited from manufacturing products that have been in high demand due to the pandemic, such as health and hygiene products as well as IT products to support the increase in remote work. U.S. GDP is expected to have decreased by just under 4%, while a decline in excess of 7% is expected in the euro zone. There are also significant differences between countries within the euro zone. Among large European countries, Italy, Spain and France have suffered the most from COVID-19. Finland is among the countries that have coped with the pandemic the best.

Excellent news broke in late 2020 when multiple pharmaceutical companies announced they had developed effective COVID-19 vaccines and several companies were also in the final stages of development. Consequently, vaccinations began at the end of the year. The start of vaccinations also improves the outlook for 2021 and the way out of the COVID-19 crisis is already on the horizon.

Interest rate environment

Interest rates in the euro zone continued to decrease during the financial year. Both short-term and long-term interest rates initially increased in March–April in response to the COVID-19 crisis, but the declining trend that began in June brought interest rates to a lower level than at the beginning of the year. No near-term changes in interest rates are expected in spite of the start of COVID-19 vaccination programmers,

Refinancing costs in the wholesale market have fluctuated almost identically with the development of the underlying interest rates. Margins rose sharply in March–April but subsequently began to decline, reaching a level that was even lower than at the beginning of the year. This trend was particularly influenced by the ECB's substantial support for the refinancing market, which in turn has reduced debt emission operations and narrowed credit risk margins due to the low supply.

In the sovereign debt market, differences in returns narrowed as the European Central Bank continued its purchase programme. The recovery of investors' risk appetite contributed to the narrowing of differences in the returns of sovereign bonds in the second half of 2020.

Investment markets

The global pandemic and its impacts on the economy also characterised the development of returns in the investment markets. In the first half of the year, the global stock markets dropped very sharply, and the risk margins of corporate bonds increased due to higher uncertainty. Central banks reacted very quickly, and their stimulus measures restored investor confidence. The impacts of the COVID-19 crisis on companies and industries varied substantially, which was reflected in large differences in returns within the stock market. On the whole, the stock markets recovered towards the end of the year and approached pre-pandemic levels and the development of returns in fixed income markets in the euro zone was positive as risk margins narrowed.

The Finnish economy

The Finnish economy has coped with the COVID-19 crisis better than other European countries. Finnish GDP is expected to have declined by about 3% in 2020, which is substantially less than in the euro zone on average. Finland's success in managing the situation is the sum of many factors. The virus reached Finland a little later than other countries, which gave the government time to react. The management of the situation regarding infections has also proved to be relatively successful. The less dramatic decline in GDP is also attributable to the structure of the Finnish economy, with the service sector and tourism, for example, playing a smaller role than in many other countries. The transition to remote work was also smooth in Finland thanks to the high level of digital preparedness.

As in other countries, the decline in economic activity has been the sharpest in the service sector in Finland. There are also substantial differences within the service sector. The hardest-hit segments have been the hotel and restaurant industry, transport, entertainment and recreational services. At the same time, the information and communication sector has even grown during the COVID-19 pandemic. Industry and construction have held up fairly well during COVID-19 and the retail trade has even benefited from the pandemic. The effects of the pandemic vary between companies in different industries. Nevertheless, the number of bankruptcies was actually lower than usual in 2020. This is largely due to amendments to bankruptcy legislation that temporarily made it more difficult for businesses to declare bankruptcy.

On the whole, households have coped with the COVID-19 crisis relatively well. Temporary lay-offs grew quickly in the spring, but most of the temporarily laid-off employees have already returned to work. Unemployment has increased by more than one percentage point, but the feared mass unemployment did not materialise. By the late autumn 2020, household wages had already returned close to the previous year's levels. One manifestation of the COVID-19 crisis is an increase in the household savings rate. This will enable the quick recovery of consumption when the situation regarding infections improves.

The Finnish housing market has been surprisingly resilient during the pandemic. Housing transaction volumes declined by about one-third in the spring but activity in the market picked up thereafter. Housing prices have also increased slightly, although there are substantial regional differences.

The housing market in Finland

In the housing market, the year started on a positive note. The expected decrease in the trading of old and newly constructed housing did not take place; instead, the number of transactions rose in the first quarter. The number of transactions grew by 5.3 per cent in the old housing market and by 23.8 per cent in the new housing market (source: the price monitoring service of the Central Federation of Finnish Real Estate Agencies HSP). Factors behind the positive sentiment in the housing market included demand that increased already in December 2019, new collective agreements that brought along salary increases and strong consumer confidence in economy.

The impact of the coronavirus started to show in the housing market already in mid-March as demand plummeted. Major underlying reasons for this were the provisions of the Emergency Powers Act and the restrictions on movement to and from the Uusimaa region. Despite this, March was still a strong month in the housing market as most transactions had been agreed on in early March. Demand remained low until mid-April, after which it started to pick up again. The number of visitors to real estate portals (Etuovi.com and Oikotie.fi) grew steadily in April and contact requests from these portals started to increase in mid-April. However, the number of transactions was clearly lower than in the preceding months and in last year's April: the number of transactions decreased by 33 per cent in the old housing market and by 51 per cent in the new housing market. The year-on-year decrease was 31 per cent in Helsinki, 34 per cent in Espoo, 31 per cent in Tampere, 40 per cent in Vantaa, 46 per cent in Turku and 46 per cent in Joensuu. The corresponding figures for May were -31.5% for old housing and -25% for new housing. The year-on-year decrease was 29 per cent in Helsinki, 23 per cent in Espoo, 33 per cent in Tampere, 47 per cent in Vantaa, 36 per cent in Turku and 53 per cent in Joensuu.

As demand picked up, the sellers' unwillingness to put their apartments and houses on sale became an obstacle to the increase in the number of housing transactions. The year-on-year decrease in the number of new properties for sale was approximately 40 per cent in April and approximately 30 per cent in May. For the full year, the number of properties for sale was approximately 20% (over 10,000 properties) lower than in 2019.

The transaction volume for holiday homes was higher than in the previous year. Based on HSP's data, the number of holiday home transactions in 2020 increased by about 35 per cent year-on-year.

The slowing down of trading in the new housing market and banks' decreased willingness to be involved in RS financing arrangements have raised construction firms' threshold to start building new properties significantly and consequently decreased the number of new housing units in the market. According to HSP, the transaction volume for new housing decreased by about 6% year-on-year.

The COVID-19 pandemic did not influence housing prices. The prices of old apartments increased by 5.7% in the Helsinki

Metropolitan Area in 2020 and decreased by 0.4% in the rest of Finland. Among the other large cities, prices increased by 3% in Tampere, 2.4% in Turku and 0.1% in Oulu. However, the sales prices of old apartments in these cities vary substantially even in normal market conditions. The average price of old apartments in apartment blocks was EUR 5,069 per sq.m. in the Helsinki Metropolitan Area and EUR 2,417 per sq.m. elsewhere in Finland (Turku: EUR 2,790, Tampere EUR 3,198, Oulu EUR 2,222).

Activity in the housing market picked up significantly after the COVID-19 restrictions were lifted in June as the legislative provisions introduced under the Emergency Powers Act were withdrawn and normal operating methods were resumed for the most part. Furthermore, approximately one million Finns worked from home in April–May, which led many to renovate their home or buy a new home. The second half of the year was strong in the housing market, although the second wave of COVID-19 brought increased uncertainty towards the end of the year. In November, the overall transaction volume was 11.5% higher than in the previous year. The total transaction volume grew by 0.8% in the Helsinki Metropolitan Area and by 6.6% in the municipalities surrounding the Helsinki Metropolitan Area. Elsewhere in Finland, the total transaction volume declined by -3%. The transaction volume would have been even higher in the autumn if supply had increased. For the year as a whole, the transaction volume for old housing was nearly on par with the previous year.

The Savings Banks Group's profit and balance sheet

Savings Banks Group's financial highlights

(EUR 1,000)	1-12/2020	1-12/2019	1-12/2018	1-12/2017	1-12/2016
Revenue	337,938	362,701	278,517	331,366	304,340
Net interest income	160,967	155,619	152,704	142,176	131,693
% of revenue	47.6 %	42.9 %	54.8 %	42.9 %	43.3 %
Profit before taxes	66,740	94,807	36,408	88,210	69,603
% of revenue	19.7 %	26.1 %	13.1 %	26.6 %	22.9 %
Total operating revenue	306,588	321,395	234,670	282,191	245,376
Total operating expenses (excluding depreciations)	-220,157	-219,145	-197,718	-182,693	-158,060
Cost to income ratio	71.8 %	68.2 %	84.3 %	64.7 %	64.4 %
Total assets	13,097,063	12,009,105	11,705,740	11,326,105	10,423,646
Total equity	1,155,709	1,118,391	1,028,796	1,017,520	953,402
Return on equity %	4.6 %	6.9 %	3.0 %	7.3 %	6.2 %
Return on assets %	0.4 %	0.6 %	0.3 %	0.7 %	0.6 %
Equity/assets ratio %	8.8 %	9.3 %	9.2 %	9.0 %	9.1 %
Solvency ratio %	19.1 %	19.1 %	18.2 %	19.1 %	19.5 %
Impairment losses on loans and other receivables	-19,760	-8,379	-3,868	-13,266	-8,411

Profit trends (comparison figures 1–12/2019)

The Savings Banks Group's financial performance in 2020 was good. Savings Banks Group's profit before tax stood at EUR 66.7 (94.8) million. Profit for the financial year was EUR 52.1 (74.1) million, of which the share of the owners of the Savings Banks Group was EUR 51.3 (72.9) million

The Savings Banks Group's customer business developed extremely well. Net interest income grew by 3.4 % to EUR 161.0 (155.6) million. Net interest income developed positively during the financial year although the market is still challenging due to low interest rates and margin pressure. Interest income totalled EUR 183.0 million (EUR 186.7 million), of which interest income from customers' loans and receivables accounted for EUR 144.8 million (EUR 143.8 million). The increase in net interest income can be attributed to lower interest expenses in both customer deposits and refinancing. Interest expenses decreased by 28.9% to EUR 22.1 million (EUR 31.0 million).

Net fee and commission income grew by 10.4 % to EUR 99.7 (90.3) million. Commissions on payment transactions grew by 18.0% to EUR 44.8 million (EUR 38.0 million). Asset Management Services developed well during the financial year and fund capitals grew to EUR 3.2 billion, increasing commissions on funds by 12.5% to EUR 30.8 million (EUR 27.4 million). Lending commissions decreased by 11.0% to EUR 18.9 million (EUR 21.3 million). The Savings Banks supported their customers by granting a record-breaking number of instalment-free periods, with no full commissions collected for them, which reduced lending commissions during the financial year.

The impact of the coronavirus pandemic could be seen especially on the Savings Banks Group's net investment income, which amounted to EUR 19.6 million (EUR 36.7 million). Most of the decrease in net investment income was unrealised changes in the value of financial assets measured at fair value through profit or loss.

Net life insurance income totalled EUR 18.3 (15.4) million. Premiums written increased from the comparison year, amounting to EUR 104.4 million (EUR 101.9 million). Claims incurred decreased, amounting to EUR 76.5 million (EUR 95.9 million).

Other operating revenue was EUR 8.0 (23.3) million. The sum for the comparison period includes a capital gain of EUR 12 million from the divestment of Samlink shares.

The operating revenue of the Savings Banks Group was EUR 306.6 (321.4) million. The decrease in operating revenue can be attributed to decreased net investment income and non-recurring items of the comparative period. Savings Banks Group's operating expenses grew by 0.5 % to EUR 220.2 (219.1) million. Personnel expenses increased by 2.6 % to EUR 89.5 (87.2) million. The number of personnel as of 31 December 2020 was 1,418 (1,391).

Other administrative expenses decreased by 2.3 % to EUR 84.0 (86.0) million. ICT- expenses increased by 3.2 % to EUR 48.7 (47.2) million. Other personnel expenses decreased to EUR 4.8 (7.4) million and marketing costs to EUR 6.3 (7.4) million.

Other operating expenses were EUR 26.0 (25.6) million. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets amounted to EUR 20.6 (20.4) million.

The Group's cost to income ratio was 71.8 (68.2) %. The volatility of result caused by unrealised changes in value included in net investment income has a significant impact on the Group's cost to income ratio.

A total of EUR 19.8 (8.4) million was recorded in impairments of financial assets. These impairments had a negative effect on the Savings Banks Group's profit and loss, and EUR 15.4. (7.3) million of them were related to loans and other receivables. Impairments of other financial assets amounted to EUR 4.4 (1.1) million. Impairments of financial assets include the change in expected credit losses, final credit losses and credit loss recoveries for loans granted to customers and for off-balance sheet commitments. The amount of expected credit losses (ECL) totalled EUR 5.7 (3.3) million for loans and other receivables and EUR 4.4 (1.1) million for investment assets. The amount of realised net credit losses for loans and other receivables during the financial year was EUR 8.7 (3.0) million.

The Savings Banks Group's effective income tax rate was 21.9 (21.8) %.

Balance sheet and funding (comparison figures 31 December 2019)

The balance sheet of the Savings Banks Group totalled EUR 13.1 (12.0) billion at the end of 2020, representing growth of 9.1 %. The Savings Banks Group's return on assets was 0.4 (0.6) %.

Loans and advances to customers amounted to EUR 9.3 (8.9) billion, up 4.2 % year-on-year. Loans and advances to credit institutions amounted to EUR 109.1 (110.4) million. The Savings Banks Group's investment assets stood at EUR 1.2 (1.1) billion. Life insurance assets amounted to EUR 1,022.6 (952.0) million.

The Savings Banks Group's liabilities to customers totalled EUR 7.8 (6.8) billion, showing a growth of 14.3 %. Liabilities to credit institutions were EUR 389.9 (242.0) million. Debt securities issued stood at EUR 2.6 (2.8) billion During the financial year, a EUR 500 million bond fell due and senior unsecured bonds totalling EUR 434 million were issued. Life insurance liabilities amounted to EUR 957.2 (892.6) million.

The Savings Banks Group's equity stood at EUR 1.2 (1.1) billion. The share of non-controlling interests of the Saving Banks Group's equity was EUR 1.4 (28.6) million. On 6 November 2020, the Savings Banks Group's companies acquired Oma Savings Bank Plc's minority shares in Savings Banks Group. The acquisition of the minority interests did not have an effect on the Savings Banks Group's result. The change in fair value recognised in other comprehensive income was EUR -1.5 (18.1) million during the financial year. The impact of cash flow hedging on equity was EUR -0.5 (-0.3) million. The Savings Banks Group's return on equity was 4.6 (6.9) %.

The quality of the Savings Banks Group's credit portfolio is still good and most of corporate credit is secured. The Savings Banks Group does not have significant risk concentrations in the sectors that have especially suffered from the coronavirus pandemic. The expected credit loss allowance on loans and receivables on the balance sheet at the end of the financial year amounted to EUR 43.7 (31 December 2019: 38.0) million, or 0.44% (31 December 2019: 0.39%) of loans and receivables. The Savings Banks Group's non-performing receivables remained at a moderate level, largely due to the instalment-free periods granted in the spring and accounted for 0,80% (31 December 2019: 0.90%) of loans and receivables.

Capital adequacy and risk position

Capital adequacy (comparison figures 31 December 2019)

At the end of 2020, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 1,075.7 (1,044.0) million, of which CET1 capital accounted for EUR 1,069.6 (1 028.6) million. The growth in CET1 capital was mainly due to the profit for the financial year. Savings Banks Amalgamation does not have additional Tier 1 capital. Tier 2 (T2) capital accounted for EUR 6.1 (15.4) million, which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 5,638.8 (5,476.0) million, i.e., they were 3.0 % higher than at the end of the previous year. The most significant change related to the increase in risk-weighted assets was the growth in the mortgage portfolio. The capital ratio of the Savings Banks Amalgamation was 19.1 (19.1) % and the CET1 capital ratio was 19.0 (18.8) %.

The capital requirement of Savings Banks Amalgamation was EUR 663.0 (605.1) million. The composition of the capital requirement is shown in the table below. The capital requirement of the Savings Banks Amalgamation consists of the 8% minimum capital requirement laid down in the Capital Requirements Regulation, a discretionary additional capital requirement imposed by the Financial Supervisory Authority, a fixed additional capital requirement pursuant to the Act on Credit Institutions and the country-specific countercyclical capital requirements of foreign exposures.

Combined capital requirement, %

31.12.2020	Minimum requirement	Pillar 2 (SREP)-requirement	Capital conservation buffer	Countercyclical capital buffer	Combined capital requirement
CET1	4,50	1,25	2,50	0,01	8,26
AT1	1,50	0,00			1,50
T2	2,00	0,00			2,00
Total	**8,00**				**11,76**

Finnish Financial Supervisory Authority made decision on pillar 2 requirement for the Savings Bank Amalgamation on 4 July 2019 and it came into force on 31 March 2020. As a result, pillar 2 requirement for the Savings Bank Amalgamation increased from 0.5% to 1.25% of total risk amount. The requirement percentage is based on the methodology of SREP (Supervisory Review and

Evaluation Process) for LSI banks from ECB, where the percentage of additional capital requirement is determined from the overall rating of FSA's assessment. The requirement shall be met at the amalgamation level with CET1 capital. The requirement is valid maximum 3 years until 31 March 2023.

At its meeting on 6 April 2020, the Board of the Financial Supervisory Authority decided to remove the systemic risk buffer, which lowered the Saving Bank Amalgamation's capital requirement by one percentage point. The aim of the decision is to mitigate the negative effects of the coronavirus pandemic on the stability of financial markets and on credit institutions' ability to finance the economy.

At its meeting on 29 June 2020, the Board of the Financial Supervision Authority decided that the maximum LTC ratio for residential mortgage loans will be adjusted and brought back to the statutory standard level of 90%. The Board of the Financial Supervision Authority also decided that countercyclical capital buffer (CCyB) requirement will remain at 0%. Countercyclical buffer requirement can vary from 0-2.5% of risk weighted assets. FIN-FSA has not imposed additional O-SII capital requirement for Savings Banks Amalgamation.

The Finnish Financial Supervisory Authority is responsible for domestic macro prudential decision making after hearing the Bank of Finland, Ministry of Finance and Ministry of Social Affairs and Health. Decisions on the activation of macro prudential instruments are taken on a quarterly basis expect for decisions on O-SII buffers, risk weights for loans secured by mortgages on immovable property (CRR Article 124 and 164) and systematic risk Buffer. Decisions on the activation of these instruments have taken at least once a year.

The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0 per cent risk weight to internal credit institution liabilities included within the scope of the Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010).

The Financial Supervisory Authority has granted permission to the Central Institution of the Amalgamation to waive fully the application of the requirements regarding liquidity set out in part six of Regulation (EU) No 575/2013 and its amending and supplementing acts to the Amalgamation's member credit institutions.

The standard method is used to calculate the capital requirement to the credit risk of the Savings Banks Amalgamation. The capital requirement to the operational risk is calculated by the basic method. The capital requirement relating to the market risk is calculated by the basic method on the foreign exchange position.

Capital adequacy's main items

Own funds (EUR 1,000)	31.12.2020	31.12.2019
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,113,328	1,066,603
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-43,750	-37,970
Common Equity Tier 1 (CET1) capital	**1,069,578**	**1,028,632**
Additional Tier 1 (AT1) capital before regulatory adjustments		
Total regulatory adjustments to Tier 1 (AT1) capital		
Additional Tier 1 (AT1) capital		
Tier 1 capital (T1 = CET1 + AT1)	**1,069,578**	**1,028,632**
Tier 2 (T2) capital before regulatory adjustments	6,089	15,352
Total regulatory adjustments to Tier 2 (T2) capital		
Tier 2 (T2) capital	**6,089**	**15,352**
Total capital (TC = T1 + T2)	**1,075,667**	**1,043,985**
Risk weighted assets	**5,638,817**	**5,475,985**
of which: credit and counterparty risk	4,980,108	4,845,471
of which: credit valuation adjustment (CVA)	111,723	101,758
of which: market risk	29,883	28,824
of which: operational risk	517,102	499,932
Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.0 %	18.8 %
Tier 1 (as a percentage of total risk exposure amount)	19.0 %	18.8 %
Total capital (as a percentage of total risk exposure amount)	19.1 %	19.1 %
Capital requirement		
Total capital	1,075,667	1,043,985
Capital requirement total*	663,015	659,725
of which: Pillar 2 additional capital requirement	70,485	27,380
Capital buffer	412,652	384,260

* The capital requirement is formed by the statutory minimum capital adequacy requirement of 8%, the capital conservation buffer of 2.5% according to the Act on Credit Institutions, the 0.5% Pillar 2 requirement set by the Financial Supervisory Authority and the country-specific countercyclical capital requirements of foreign exposures.

Leverage ratio

The leverage ratio of the Savings Banks Amalgamation was 8.7 % (9.1 %). The leverage ratio has been calculated according to the current regulation, and it describes the ratio of the Amalgamation's Tier 1 capital to total liabilities. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

Leverage ratio

(EUR 1,000)	31.12.2020	31.12.2019
Tier 1 capital	1,069,578	1,028,632
Total leverage ratio exposures	12,286,958	11,277,336
Leverage ratio	8.7 %	9.1 %

According to the Savings Banks Group's estimate, the most significant regulatory changes influencing capital requirements in 2021 will be the implementation of the new definition of default and the amendments to the EU Capital Requirements Regulation (CRR2). The implementation of the new definition of default, which is broader than the previous definition, will increase the total amount of risk-weighted receivables effective from 1 January 2021. A binding 3% minimum leverage ratio and a 100% minimum requirement for the net stable funding ratio (NSFR) will enter into effect on 28 June 2021 as part of the amendments to the Capital Requirements Regulation. CRR2 also includes amendments related to the capital requirements concerning investments in investment funds, derivatives and lending to SMEs.

Pillar III note includes the information in accordance with the EU's Capital Requirements Regulation (575/2013) regarding the capital adequacy of the Amalgamation.

Resolution plan

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). In September 2019, the Financial Stability Authority set a minimum requirement of own funds and eligible liabilities (MREL) at the amalgamation level and the requirement entered into effect immediately. The requirement does not apply to the member credit institutions, the Central Bank of Savings Banks and Sp Mortgage Bank. The MREL requirement is by nature a Pillar 2 type continuously required minimum requirement. The Financial Stability Authority decided that the MREL requirement applied to the Savings Banks Amalgamation is 10.3 per cent of own funds and eligible liabilities.

Risk position

The Savings Bank Group's risk position has remained at a good level. The capital adequacy of the Savings Banks' Amalgamation is good, with non-performing receivables at a moderate level. The implementation of the new definition of default, which is broader than the previous definition, will increase the total amount of risk-weighted receivables effective from 1 January 2021.

Risk management and internal control of the Savings Banks Group is a part of the internal control framework applied within the Group and the Amalgamation. It is also at the core of the Group's operational activities. It is the responsibility of the Central Institution's Board of Directors to steer the operation of the Amalgamation and, in order to safeguard liquidity and capital adequacy, issue instructions to the member companies on risk management, corporate governance, internal control and compliance with harmonised accounting principles in the preparation of the consolidated financial statements.

The Central Institution approves the principles for the Group's internal control framework. The following functions, which are independent of business operations, have been established within the Central Institution to ensure effective and comprehensive internal control in all the member companies within the Amalgamation and the Group:

- Independent risk control
- Compliance function
- Internal audit

The Central Institution's Risk control function maintains and develops methods for managing risks within the Savings Banks Group. This ensures that all, even new, fundamental but previously unidentified risks are covered by the risk management of the Group's business lines.

All significant loans or commitments including significant risk are made in accordance with collegial decision-making processes, and there is a lending authority limit structure in place. Internal operational guidelines are used to steer business operations and processes. Compliance with the internal guidelines as well as the updating process of the guidelines is monitored. All decisions and significant business operations are documented and archived. An essential part of risk management is executed in daily supervision. The execution of decisions made is monitored through an approval and verification process, controls and reconciliations together with adequate monitoring and reporting. The most significant risks affecting the operation of the Group are credit risk, liquidity risk, interest rate risk, operational risk, as well as various business risks.

The Group's risks and risk management are described in more detail in the notes on risk management in the financial statements in Appendix 5.

Credit ratings

On 22 January 2021, S&P Global Ratings (S&P) confirmed the long-term credit rating of the Central Bank of Savings Banks Finland Plc, acting as the central credit institution of the Savings Banks Group, at A- and its short-term credit rating at A-2. The outlook remained negative.

The Central Bank of Savings Banks Finland Plc is part of the Savings Banks Amalgamation. The role of the Central Bank of Savings Banks is to ensure the liquidity and fund-raising of the Savings Banks Group. The Central Bank of Savings Banks raises funds and operates in the money and capital markets on behalf of the Group, manages settlements and the internal balancing of the Group's liquidity. The Central Bank of Savings Banks also manages the levelling out of the Group's internal liquidity.

Supervisory Board, Board of Directors and auditors of the Savings Banks' Union Coop

The Savings Banks' Union Coop General Meeting elects the members of the Supervisory Board and their personal deputies for a term extending until the next ordinary general meeting. The Supervisory Board consists of 9-35 members.

During the year under review, the Supervisory Board had 19 members, each with a personal deputy. At the start of the year, the Supervisory Board had 19 members, each with a personal deputy. At the Extraordinary Savings Banks' Union Coop General Meeting held on 26 June 2020, the number of Supervisory Board members was reduced to 18 members, each with a personal deputy. The chairman of the Supervisory Board was Antero Savolainen (chairman of the Board of Directors of Säästöpankki Optia). The deputy chairmen were Arto Seppänen (chairman of the Board of Directors of Someron Säästöpankki) and Björn West (chairman of the Board of Directors of Kevlax Sparbank). The members of the Supervisory Board are primarily chairmen of the Boards of Directors of Savings Banks and their deputies are deputy chairmen of the Boards of Directors of Savings Banks.

As of the annual general meeting of Savings Banks' Union Coop in 2020, the following persons have been members of the Board of Directors:

Kalevi Hilli, chairman (Säästöpankki Optia) until 11 March 2020

Toivo Alarautalahti, deputy chairman
(Huittisten Säästöpankki) until 11 March 2020

Pirkko Ahonen (Aito Säästöpankki Oy),
chairman from 11 March 2020

Jari Oivo (Myrskylän Säästöpankki)
deputy chairman from 11 March 2020

Jaakko Ossa (Liedon Säästöpankki)

Ulf Sjöblom (Tammisaaren Säästöpankki)

Sanna Ahonen (independent of Savings Banks)
until 11 March 2020

Marja-Leena Tuomola (independent of Savings Banks) until 11 March 2020

Pauli Aalto-Setälä (independent of Savings Banks) until 11 March 2020

Tuula Heikkinen (independent of Savings Banks)
from 11 March 2020

Eero Laesterä (independent of Savings Banks)
from 11 March 2020

Katarina Segerståhl (independent of Savings Banks)
from 11 March 2020

Ari Jutila (Mietoisten Säästöpankki)
from 11 March 2020 and until 25 November 2020

Heikki Paasonen (Säästöpankki Optia) from 11 March 2020

The Board of Directors of Savings Banks' Union Coop constitutes a quorum when five members are present. The Board of Directors of Savings Banks' Union Coop will be elected at the annual general meeting of the Savings Banks' Union Coop cooperative on 11 March 2020.

The Managing Director of the Savings Banks' Union Coop has been Tomi Närhinen since 1 September 2017.

At the annual general meeting of the Savings Banks' Union Coop cooperative on 11 March 2020, KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor of Savings Banks' Union Coop. The chief auditor designated by the firm is Petri Kettunen, Authorised Public Accountant.

Non-financial reporting

Financial wellbeing has been an important element of Savings Bank operations ever since the first Finnish Savings Bank was established in 1822. In line with the Savings Bank ideal, the basic mission of Savings Banks was to help the hardworking population of Finland prosper and take better care of its finances, and this has never changed.

Today, the mission of the Savings Banks Group is to responsibly promote the financial wellbeing and prosperity of its customers. We want to provide our customers with the best combination of in-person and digital services, with an emphasis on customer value, expertise, convenience and having a human touch in the way we interact with all of our customers. This creates the Savings Bank Experience that we are known for.

Our business operations are based on low-risk retail banking. Our strategic goal is profitable and sustainable growth through increasing the number of long-term customers who use a wide range of services. In our operations, we combine strong customer-drivenness and local presence with operational efficiency and close cooperation within the Group.

The Savings Banks Group's values – customer-drivenness, cooperation, responsibility and performance – are the cornerstones of our business. Our shared values also form the foundation of our sustainable operations. We want responsibility to be evident in everything we do, and we want it to be an integral part of our organisational culture. The Savings Banks Group observes the principles of good corporate governance, openness and the Savings Banks Group's Code of Conduct. The key management practices are defined in the Governance principles of the Savings Banks Group. The activities of the Savings Banks Group comply with the provisions of current legislation, orders issued by the authorities, good banking practice regulations and trading instructions approved by Finance Finland, as well as the governance principles of the Savings Banks Amalgamation along with the Amalgamation's other internal guidelines. Savings Banks Group's social responsibility is also defined in the governance policies. The social responsibility determined in the governance policies includes financial responsibility, social responsibility, promoting communal wellbeing and environmental responsibility.

The reporting on the Savings Banks Group's material responsibility themes is based on the materiality analysis, the purpose of which is to identify the key responsibility aspects of the Savings Banks Group and its stakeholders. In the autumn 2019, we updated our materiality analysis because we wanted to hear the expectations of our stakeholders regarding responsibility and to analyse the impact of responsibility aspects on business. The Savings Banks Group's materiality responsibility themes identified on the basis of a materiality analysis are as follows: competent and satisfied personnel and corporate culture, responsible and sustainable lending, savings banks as a part of local communities, responsible and sustainable investment, responsibility in the principles and operating methods that guide business, responsibility in services, products and customer service as well as the Savings Banks Group's direct and indirect impacts on climate change and impact of climate change on the Savings Banks Group. In addition to these material themes, the basic prerequisites of banking include financial responsibility and good governance, risk management and the customer's data protection and information security. These lay the foundation for the Savings Banks Group's material sustainability themes and this foundation must be solid under all circumstances.

We publish the Savings Banks Group's sustainability report annually in Finnish and English. The report illustrates how sustainability is reflected in the daily life and actions of everyone at Savings Banks. The Savings Banks Group published its first GRI report on 20 June 2019. With regard to reporting principles, the Savings Banks Group refers to the GRI (Global Reporting Initiative) Standards guidelines (GRI-referenced).

Promoting social well-being locally

Savings banks have been an important part of the Finnish society for almost 200 years already, and we still have an important duty. According to our mission, savings banks promote saving and their customers' financial wellbeing close to the customer. Customers need a reliable and close partner for their financial matters to help them create a better everyday life and future. The increased prosperity and welfare of our customers are reflected in the Savings Banks Group and in the entire society. It is important to Savings Banks Group that towns, villages and communities in Finland retain their vitality and positive development trends. From the start, Savings Banks have directed a proportion of their profits to enhancing welfare within their operating areas. Rather than making major one-off donations, Savings Banks prefer to give their support to several good, local projects. In recent years, Savings Banks have called on their customers to help with their mission. For example, customers can propose Finnish recipients for donations for the annual Good Deeds campaign.

The 2020 Good Deeds responsibility campaign saw Savings Banks donate over EUR 550,000 to various charities. The themes highlighted among the beneficiaries included children and young people, for example through sports clubs, other forms of recreational activity and helping volunteer workers. In this year's donations, a major theme was providing food assistance to low-income families during the COVID-19 pandemic, which meant that there was an urgent need for help. There were more than 300 beneficiaries across Finland.

The Savings Banks Research Foundation granted scholarships to university researchers and study projects totaling EUR 73,000. In addition, savings bank trusts that own Savings Banks structured as limited liability companies have made significant charitable contributions in various parts of the country.

Personnel

The Savings Banks Group adheres to the principles of corporate governance, openness and the Savings Banks Group's ethical rules. Employees have a responsibility to ensure that customers receive information in accordance with good business conduct. Employees must strive to ensure that customers are aware of the consequences of their financial decisions, including the potential risk of losses. Complaints by existing and former customers must be handled without delay and in a fair manner, in compliance with the applicable laws and regulations. The Savings Banks Group has prepared guidelines to support the complaint handling process. Communication to all target groups must be open, truthful and unbiased. Employees must focus on providing clear and transparent information to customers.

Savings Banks Group considers it important for every employee to understand the direction of the organisation's development and be aware of the importance of their own work for the achievement of our objectives. Each year, we conduct the Savings Banks Group's shared Our Savings Bank personnel survey, which is based on our Savings Banks Group strategy. Our vision is to be the most competent and trusted financial partner, and our personnel survey provides us with valuable information on how we can work together to build Säästöpankki's success and realise our vision.

The objective of the personnel survey is to monitor the execution of the strategic vision and give employees the opportunity to voice their views. The feedback is used in the development of operations both locally and at the Savings Banks Group level. The response rate of the personnel survey has been high from one year to the next. In 2020, 89.2 per cent of Savings Bank employees took the survey and the average score for the survey as a whole was good at 3.33 on a scale of 1–4. According to the results, Savings Bank employees are eager to recommend the Savings Banks Group as an employer and they are proud to be part of the organisation. One of the strengths of our personnel is their resilience. It is evident in our employees' perception of having been created the necessary conditions for development and renewal as their job roles change and being encouraged to try new solutions in their work.

Our success in the customer business and the digital transformation requires everyone to continuously maintain and develop their own expertise and work as a coherent team. During the financial year, we were able to make more extensive use of new tools that enabled new working methods while strengthening teamwork. The results of our personnel survey indicate that our employees try to actively develop their work and share best practices with their colleagues.

Sp-Academy, the Savings Banks Group's competence development network, continued its active operations with four working groups in 2020. More than 50 Savings Bank employees from various parts of Savings Banks Group were active in the working groups. They discussed strategic competence needs and promoted the implementation of business-driven training activities to support development in key competence areas. Due to the COVID-19 pandemic, the Savings Banks Group's training offering was focused on remote solutions and online learning. We conducted about 200 training sessions and events during the year. This number includes longer training programmers for employees and management, shorter internal remote training activities, brief information sessions and training focused on current issues in various business functions. In addition to developing substance knowledge, we continued to increase our competencies in areas such as supervisory work, the management of sales and customer relations as well as project work.

We also support employee mobility and competence development in the Savings Banks Group by creating various models and practices to support the sharing of expertise. Vacancies for fixed-term positions as well as positions with an indefinite term are always posted in our internal application channels before external recruitment channels are used. The use of job rotation in the Savings Banks Group has given employees the opportunity to work in various projects and substitute positions.

At the end of 2020, Savings Banks Group had 1,418 (1,391) employees. Converted into total resources, the average number of employees for the financial year was 1,214 (1,193). Women accounted for 76 % and men for 24 % of all employees, the average age of employees was 42.7 (43.0) years.

Human Rights

The Savings Banks Group respects human rights and strives to prevent discrimination in all of the Group's operations. Our own operations do not involve significant direct risks or impacts related to human rights, but such impacts may be related to the supply chain or the activities of investment and financing targets. The social responsibility of target companies is taken into account in our investment activities. We exclude from our direct investments all companies that are in constant breach of international agreements related to human rights, decent work and the environment or infringe against good governance practices.

Environmental Responsibility

As a responsible Finnish banking group, the Savings Banks Group recognises its role in promoting environmental responsibility. While the Savings Banks Group's business does not have significant direct environmental impacts, we look after the environment through our day-to-day actions. We encourage our employees to use public transport, replace business trips and meetings with telephone and video conferences, and we prioritise eco-friendly alternatives in purchasing. The investments made by Sp-Fund Management Company can create indirect environmental impacts. Climate change related risks and environmental regulation may also have significant economic impacts, particularly in certain industries or with regard to geographic location. Sp-Fund Management Company aims to evaluate the impacts of sustainable development and climate change on investment targets. In 2019, we expanded the sustainability reporting of our funds, amongst other things. The Säästöpankki Ympäristö special investment fund invests in companies and funds that promote the sustainable use of the environment. Our investment activities take ESG (environmental, social, governance) issues into consideration, which includes an assessment of environmental impacts.

Financial Responsibility

Financial accountability refers to good profitability, capital adequacy and liquidity, good governance and responsible leadership. It is important to us that our customers and partners can rely on our judgment and sense of responsibility in all circumstances. Sav-ings Banks bear responsibility for promoting the local community's financial wellbeing.

To maintain financial responsibility, the Savings Banks Group's entities have to ensure their capital adequacy and liquidity even in poor economic conditions. Savings Banks take responsibility for promoting financial welfare among the local population.

Savings Banks only provide their customers with loans and credit that they can manage without straining their finances.

Savings Banks Group also takes a responsible attitude towards the Finnish economy. Savings Banks pay all of their taxes directly to Finland. They do not participate in controversial tax planning practices. In 2020, we paid EUR 14.6 million in income taxes. Savings Banks Group employs financial and service industry professionals around the country. Through its presence on the various commit-tees of Finance Finland, the Savings Banks Group contributes actively to the development of the Finnish banking sector.

Anti-corruption and Bribery

The Savings Banks Group's Code of Conduct is aimed at ensuring that the Savings Banks Group operates responsibly, ethically and in compliance with laws and regulations. All employees are required to be familiar with the Code of Conduct and it is included in the orientation training of new recruits. The Code of Conduct is supplemented by policies concerning conflicts of interest and the reporting of infringements.

The Savings Banks Group does not condone corruption in any form, neither in business activities nor in business partnerships. The entities belonging to the Savings Banks Group do not condone the giving or receiving of gifts that could be interpreted as bribes or attempts to influence business decisions. Employees are required to exercise very careful discretion in receiving gifts from or giving gifts to customers, partners or other people they interact with in their work.

Risk Management

The risk monitoring and compliance function also monitors non-financial risks as part of the monitoring of operational and compliance risks. The compliance function is responsible for ensuring regulatory compliance. The realisation of non-financial risks can also compromise the Savings Banks Group's reputation and result in potential damage to customer relationships and other stakeholder relations. Non-financial risks are addressed in the regular risk assessments conducted as part of business operations. Potential operational risks and compliance risks are also taken into account in the development of new products and services. The management of non-financial risks is part of day-today operations and employees are regularly provided with training and instructions on risk management.

Information security

The focus areas in the development of information security are protecting the Savings Banks Group's business from information processing risks and cyber threats, ensuring appropriate information security and data protection for customers and stakeholders, satisfying compliance requirements and the practical implementation of Group-level policies, guidelines and standards. Information security is a central component of the Savings Banks Group's strategy and it is promoted by effective risk management and replicable solutions. The key regulatory frames of reference for legal compliance related to information security are the PSD2 and the GDPR, with the ISF Standard serving as the frame of reference.

Operations and profit by business segment

Banking services

Customer satisfaction and customer experience among the Savings Banks' private customers remained strong during the financial year. The average Net Promoter Score (NPS) of the Savings Banks' customer negotiations was 80.5 for the year. The COVID-19 pandemic expedited the shift of customer encounters to remote channels and online meetings. The use of the digital signing of agreements also increased substantially in the Savings Banks' private customer business. The Group's operational changes responded to the change in customer behaviour and the Savings Banks' aim to provide their customers with the best package of personal and digital services. The structure of the Savings Banks' private customer base developed favourably during the financial year. The number of private customers using Savings Banks' services extensively and concentrating their banking in Savings Banks increased by 4.6 % during the financial year. The Savings Banks' loan portfolio grew in line with the general development of the market. Savings Banks helped their private customers cope with the COVID-19 crisis by granting instalment-free periods for a significant proportion of customer loans and actively supporting their customers' financial planning.

Customer satisfaction and customer experience among the Savings Banks' corporate customers remained very strong during the financial year. Among corporate customers, the Net Promoter Score (NPS) for Savings Banks' customer negotiations was 82.1 for the year. In the 2020 EPSI bank survey, the Savings Bank emerged as the winner for the first time in the corporate customer segment and in customer loyalty. During the year, Savings Banks released a new mobile application for corporate customers and made the e-signing of agreements possible for corporate customers. Consequently, electronic communication between the bank and its customers saw strong growth during the year. Savings Banks reacted quickly to the effects of the COVID-19 crisis on companies. One of the response measures was to organise, together with their partner LocalTapiola, several customer webinars on this topic. In the webinars, experts from Savings Banks, LocalTapiola and other partners described the forms of support available for tackling the effects of the crisis and took questions from the participants. The number of corporate and forestry and agriculture customers using Savings Banks' services extensively grew by 11.1% during the year, with the growth increasingly coming from larger small businesses. The growth is also reflected in the increase in the volume of Savings Banks' lending to businesses and housing corporations, clearly outperforming the average market growth among both customer categories even during the COVID-19 crisis. Savings Banks helped their corporate customers cope with the COVID-19 crisis by granting instalment-free periods for a significant proportion of

corporate loans and by offering liquidity financing to companies suffering from a cash crisis.

In 2019, the Savings Banks Group launched the core banking system upgrade. The core banking system is based on Temenos technology and will be provided by Samlink Ltd. The total delivery price for the Savings Banks Group is approximately EUR 28.9 million and the capitalised costs at the end of the year totalled EUR 8.1 million. The project schedule will be specified in further detail during the first half of the year.

The Savings Banks Group's mortgage- and central bank operations

The objective of the Savings Banks Group's Sp Mortgage Bank is to strengthen the competitiveness of the Savings Banks Group through competitive funding and to promote the implementation of the strategy of the Savings Banks Group through its own operations. Sp Mortgage Bank is responsible for the residential mortgage loan funding of the Savings Banks Group by issuing covered bonds. The Savings Banks Group's mortgage banking operations progressed according to plan during the financial year and the credit portfolio grew to EUR 2,146 million (EUR 1,957 million) by the end of the year.

The Central Bank of Savings Banks Finland Plc is a bank owned by Finnish savings banks with main purpose of providing savings banks and the Savings Banks Group with various central credit institution services. In 2020, the focus of the operations of the Central Bank of Savings Banks was on ensuring the Group's liquidity position and on the continued development of Savings Banks' services. During the financial year, the Central Bank of Savings Banks completed the payment card system renewal project, which made it possible to launch new card functionalities to customers On 22 January 2021, S&P Global Ratings (S&P) confirmed the long-term credit rating of the Central Bank of Savings Banks Finland Plc, acting as the central credit institution of the Savings Banks Group, at A- and its short-term credit rating at A-2. The outlook remained negative.

Financial performance (comparative figures 1–12/2019)

Profit before tax of Banking operations stood at EUR 35.4 (60.5) million. Net interest income was EUR 161.2 (155.8) million, an increase of 3.4 % year-on-year. Net fee and commission income totalled EUR 68.7 (62.6) million, an increase of 19.7 %. Net investment income decreased to EUR 19.6 (39.7) million. Other operating revenue was EUR 8.1 (11.7) million.

Impairments of financial assets increased to EUR 19.8 million (EUR 8.4 million), mainly due to the coronavirus pandemic. Impairments of loans and receivables amounted to EUR 15.4 million (EUR 7.7 million), of which expected credit losses accounted for EUR 8.7 million (EUR 2.4 million). Impairments of investment assets totalled EUR 4.4 million (EUR 1.8 million).

Personnel expenses decreased to EUR 61.4 (64.0) million. The number of personnel in the Banking operations segment was 1,000 (1,044) at the end of the financial year. Other operating expenses and depreciation grew by 2.8 % to EUR 140.9 (137.0) million.

The balance sheet for Banking operations totalled EUR 12.3 (31.12.2019: 11.1) billion, representing growth of 11.3 %. Loans and advances to customers increased by 4.2 % to EUR 9.3 (31.12.2019: 8.9) billion. Deposits received from customers was EUR 7.8 (6.8) billion.

Asset Management Services

The COVID-19 crisis and its effects on investment markets and on the expectations regarding the growth outlook of companies and the global economy were significantly reflected in the operations of asset management services during the financial year. In the circumstances created by the pandemic, the Savings Banks Group focused on customer support, high-quality service and customer communications especially using digital channels. The operations of Sb Life Insurance Ltd and Sp-Fund Management Company Ltd were undisrupted throughout the year and the customer experience remained good. The Savings Banks Group also started to offer private banking services to more demanding investment customers. Compared to earlier crises, customers acted more calmly and there were no extensive fund unit redemptions or life insurance products surrenders.

Despite the challenging operational environment, net subscriptions to investment funds managed by Sp-Fund Management Company were positive. Its market share among Finnish fund management companies increased by 0.2 percentage points to 2.7 per cent at the end of the year. The number of new continuous fund saving agreements signed decreased by 5.8% year-on-year and 62 per cent (last year: 40%) of fund subscriptions were made electronically.

Fund capital managed by Sp-Fund Management Company Ltd grew by 3.6 per cent year-on-year and totalled EUR 3.2 billion (EUR 2.6 billion) on 31 December 2020. Taking into account the assets managed in accordance with asset management agreements, the total assets managed by Sp-Fund Management Company Ltd amounted to EUR 5.0 billion (EUR 4.5 billion). Net subscriptions to Savings Bank funds totalled EUR 111.7 million (EUR 98.8 million). The number of fund unit holders grew by 33.1 per cent from the previous year. The funds had a total of 255,501 (191,941) unit holders on 31 December 2020. In terms of the number of unit holders, Sp-Fund Management Company Ltd is the fourth largest fund management company in Finland.

At the end of the financial year, Sp-Fund Management Company Ltd managed 22 investment funds, the largest of which was the Savings Bank Interest Plus investment fund with capital of EUR 723.6 million. With 38,535-unit holders, the investment fund was also the largest in terms of the number of unit holders. The Säästöpankki Ryhti investment fund accumulated the largest amount of new capital, with EUR 65.7 million in net subscriptions.

After the strong start to the year, the general uncertainty that began in March slowed down the accumulation of endowment insurance premium income. Premium income from unit-linked insurance remained stable during the remainder of the year and surrenders were moderate. The demand for risk life insurance remained good throughout 2020 and improved in the second half of the year thanks to growth in the sales of credit that qualifies for payment protection. Premium income grew by 2.6 per cent year-on-year.

Financial performance (comparison figures 1 –12/2019)

Profit before tax for the Asset Management Services stood at EUR 30.9 (24.7) million.

Net life insurance income was EUR 18.3 (15.4) million, representing an increase of 18.9 % from the comparison period. Life insurance premium income amounted to EUR 105.2 (102.6) million. Claims incurred totalled EUR 76.5 (95.9) million.

Net fee and commission income was EUR 30.8 (27.5) million. The amount of net fee and commission income rose due to increased customer assets and managed fund capital.

Operating expenses remained on par with the previous year, amounting to EUR 17.8 (17.9) million. Personnel expenses was EUR 7.8 (7.2) million. Total other operating expenses and depreciation decreased to EUR 10.0 (10.7) million. The number personnel in the segment at the end of the financial year was 81 (78).

Life insurance assets amounted to EUR 1,007.2 (31.12.2019: 936.6) million. Unit linked insurance savings totalled EUR 856.6 (31.12.2019: 780.1) million.

The total assets of Asset Management Services amounting to EUR 1,018.1 (31.12.2019: 946.7) million.

Other functions

Other functions include Savings Banks' Union Coop, Sp-Koti Ltd, Savings Banks Services Ltd and other companies consolidated within the Savings Banks Group. Other functions do not form a reportable segment.

The franchising company Sp-Koti Ltd, focusing on real estate agency business, grew clearly more than the housing market, while the turnover grew almost by 25 % and the trades grew by almost 22 %. In the housing market, the number of trades implemented by real estate agency businesses on second-hand housing increased by approximately 0.5 %. The number of companies increased by three and the number of real estate agents by 20 compared to the previous year. Sp-Koti included 36 companies and one own unit. With regard to offices and sold apartments, the chain is the third largest real estate agency business in Finland.

Material events after the closing date

The Board of Directors of the Savings Banks' Union Coop is not aware of any factors that would materially influence the financial position of the Savings Banks Group after the completion of the financial statements.

Outlook for 2021

Outlook for the operational environment

COVID-19 will continue to dictate the development of the global economy in 2021. Thanks to the vaccines, there is light at the end of the tunnel. Restrictions will be gradually lifted as progress is made with vaccinations. Of course, this massive global logistics operation will take some time. At the same time, new and more infectious mutations of the virus may lead to a sharp rise in COVID-19 cases before the vaccinations improve the situation significantly. This means that the early part of the year will be characterised by a tug-of-war between vaccinations and new infections.

As the year goes on and the vaccination effort progresses, it will be possible to gradually lift the restrictions. This is likely to take place at different times in different countries. Economic recovery will begin in earnest in the second half of the year, and the rate of recovery may be quite fast. The savings rate among consumers has increased around the world, which means that consumers have disposable funds and there may be a sharp increase in consumption when the COVID-19 pandemic eases.

Financial policy stimulus measures will continue in 2021. For example, the newly elected US President Joe Biden intends to introduce a massive economic stimulus package, although it is still unclear how much of it will be implemented. In Europe, funds from the COVID-19 recovery package will start to be spent and individual countries will also continue to implement stimulus measures as needed. However, the focus will gradually shift to the normalisation of economic policy. Central bank monetary policy will also continue to focus on recovery and interest rates will stay low. However, when the recovery begins, there will be discussions about the phasing out of purchase programmes, which may lead to nervousness in the markets.

The year 2021 will be characterised by development in two different directions: the economy will continue to suffer from the COVID-19 pandemic during the first half of the year, but recovery will begin in earnest in the latter half of the year. China will continue to be the engine of growth, with economic growth as high as 8–10% expected. The growth forecasts for the U.S. economy and Europe are approximately 5%.

The Finnish economy will also recover from the slump caused by COVID-19. The Savings Banks Group's growth forecast for 2021 is 2.5%. Economic growth in Finland will be lower than in many other countries because the downturn in 2020 was not as dramatic. The economy will still be affected by COVID-19 in the early part of the year, but the recovery will start in earnest in the second half of the year.

Consumers have accumulated savings which they will start to spend when the situation regarding infections improves. This will enable the potentially rapid recovery of private consumption. Unemployment will still increase slightly in the early part of the year before turning to a decrease in the latter part of the year once the recovery begins in earnest.

Confidence among businesses has also improved from the lows seen during 2020. When the recovery begins in earnest, it will be particularly evident in the service sector, where capacity has been substantially underutilised during the pandemic. Orders in the industrial sector turned to a slight increase in late 2020 after several months of decline and confidence among European industrial companies has remained at a good level, which supports a moderate outlook for industry. The start of a global recovery and the progress of COVID-19 vaccinations play a key role in this respect.

The number of bankruptcies among Finnish businesses was lower than usual in 2020 due to a temporary amendment to bankruptcy legislation. The expiration of the temporary amendment is likely to be followed by a short-term increase in bankruptcies. The COVID-19 crisis may also have triggered a broader structural transformation in the business sector, but its impact is difficult to assess at this stage.

The biggest risks are still related to the situation with infections. If, for example, new and more dangerous mutations of the virus were to emerge, if the progress of vaccinations were slow or if serious side effects were to occur, the economic situation could quickly take a turn for the worse. If the recovery of the global economy were to be delayed, it would also be reflected in the economic outlook of Finland. A crisis in the financial markets could also lead to a decline in the real economy.

Business outlook

The low level of market interest rates will continue to pose challenges to financial performance in 2021. However, the low interest rates will not jeopardise the performance or capital adequacy of the Savings Banks Group. The Savings Banks Group is solvent and the Group's business is relatively low in risk.

In 2021, the Savings Banks Group's business focus will again be on improving the competitiveness of the Group and implementing a customer-oriented strategy. Savings Banks are well placed to achieve this. In 2021, the Group aims to acquire more customers who will focus their banking services on a Savings Bank.

Further information:

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Releases and other corporate information are available on the Savings Banks Group's website at *www.saastopankki.fi/saastopankkiryhma*

Formulas used in calculating the financial highlights:

Revenues	Interest income, fee income, net trading income, net investment income, net life insurance income, other operating revenue
Total operating revenue	Net interest income, net fee and commission income, net trading income, net investment income, net life insurance income, other operating revenue
Total operating expenses	Personnel expenses, other operating expenses, depreciation and impairment charges on tangible and intangible assets
Cost to income ratio	$\frac{\text{Total operating expenses}}{\text{Total operating revenue}}$
Return on equity %	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}}$
Return on assets %	$\frac{\text{Profit}}{\text{Total assets (average)}}$
Equity/assets ratio %	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}}$

Alternative Performance Measures

European Securities and Markets Authority's Guidelines on Alternative Performance measures came into effect on 3 July 2016. An alternative performance measure is a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the IFRS framework. Alternative Performance Measures are used to reflect financial development and enhance comparability between different reporting periods.

Savings Bank Group is not using any alternative performance measures that are not directly calculated using the information presented in the Half-year Report, nor have any changes occurred in the financial highlights.

RELEASE OF FINANCIAL STATEMENTS

Savings Banks Group's income statement

(EUR 1,000)	Note	1-12/2020	1-12/2019
Interest income		183,038	186,650
Interest expense		-22,071	-31,031
Net interest income	4	**160,967**	**155,619**
Net fee and commission income	5	99,742	90,334
Net investment income	6	19,569	36,668
Net life insurance income	7	18,335	15,426
Other operating revenue	8	7,974	23,349
Total operating revenue		**306,588**	**321,395**
Personnel expenses		-89,510	-87,228
Other operating expenses		-110 046	-111,569
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-20 601	-20,347
Total operating expenses		**-220,157**	**-219,145**
Net impairment loss on financial assets	9	-19,760	-8,379
Associate's share of profits		70	936
Profit before tax		**66,740**	**94,807**
Income tax expense		-14,648	-20,675
Profit		**52,092**	**74,132**
Profit attributable to:			
Equity holders of the Group		51,280	72,949
Non-controlling interests		812	1,183
Total		**52,092**	**74,132**

Savings Banks Group's statement of comprehensive income

(EUR 1,000)	1-12/2020	1-12/2019
Profit	**52,092**	**74,132**
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Remeasurements of defined benefit obligation	-724	-908
Total	**-724**	**-908**
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences		
Changes in fair value reserve		
Fair value measurements	-1,543	18,123
Cash flow hedges	-451	-301
Total	**-1,994**	**17,823**
Total comprehensive income	**49,375**	**91,048**
Attributable to:		
Equity holders of the Group	48,387	87,172
Non-controlling interests	988	3,875
Total	**49,375**	**91,048**

Savings Banks Group's statement of financial position

(EUR 1,000)	Note	31.12.2020	31.12.2019
Assets			
Cash and cash equivalents		1,183,519	680,411
Loans and advances to credit institutions	11	109,060	110,450
Loans and advances to customers	11	9,283,660	8,906,493
Derivatives	12	76,438	68,697
Investment assets	13	1,159,201	1,140,782
Life insurance assets	14	1,022,561	951,962
Investments in associates and joint ventures		300	231
Property, plant and equipment		52,151	57,956
Intangible assets		38,709	37,462
Tax assets		10,792	3,873
Other assets		160,670	50,790
Total assets		**13,097,063**	**12,009,105**
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss			3,909
Liabilities to credit institutions	15	389,879	242,010
Liabilities to customers	15	7,778,931	6,804,436
Derivatives	12	570	3,835
Debt securities issued	16	2,626,632	2,755,856
Life insurance liabilities	17	957,174	892,648
Subordinated liabilities		29,220	51,104
Tax liabilities		73,933	59,955
Provisions and other liabilities		85,015	77,241
Total liabilities		**11,941,354**	**10,890,995**
Equity			
Basic capital		25,236	20,339
Primary capital		32,452	34,452
Reserves		270,056	232,906
Retained earnings		826,526	802,073
Total equity attributable to equity holders of the Group		**1,154,271**	**1,089,770**
Non-controlling interests		1,438	28,621
Total equity		**1,155,709**	**1,118,391**
Total liabilities and equity		**13,097,063**	**12,009,386**

Savings Banks Group's statement of cash flows

(EUR 1,000)	1-12/2020	1-12/2019
Cash flows from operating activities		
Profit	52,092	74,132
Adjustments for items without cash flow effect	55,622	152,196
Income taxes paid	-10,091	-8,240
Cash flows from operating activities before changes in assets and liabilities	**97,623**	**218,089**
Increase (-) or decrease (+) in operating assets	**-514,673**	**-536,502**
Financial assets at fair value through profit or loss	-10,706	6,986
Loans and advances to credit institutions	-43,023	8,825
Loans and advances to customers	30,230	-423,090
Investment assets, at fair value through other comprehensive income	-3,895	-40,398
Investment assets, at amortized cost	-376,343	4,908
Life insurance assets	-1,570	-110,482
Other assets	-109,367	16,749
Increase (-) or decrease (+) in operating liabilities	**962,640**	**234,463**
Liabilities to credit institutions	125,471	16,079
Liabilities to customers	967,275	-139,393
Debt securities issued	-134,820	262,414
Life insurance liabilities	-776	90,852
Other liabilities	5,490	4,511
Total cash flows from operating activities	**545,591**	**-83,950**
Cash flows from investing activities		
Investments in investment property and in property, plant and equipment and intangible assets	-18,189	-32,676
Disposals of investment property and property, plant and equipment and intangible assets	1,993	69
Total cash flows from investing activities	**-16,196**	**-32,607**
Cash flows from financing activities		
Increase in subordinated liabilities	2,710	
Decrease in subordinated liabilities	-24,594	-21,695
Distribution of profits	-1,704	-1,692
Other monetary decreases in equity items	-10,278	
Other	-3,870	
Total cash flows from financing activities	**-37,736**	**-23,388**
Change in cash and cash equivalents	**491,659**	**-139,944**
Cash and cash equivalents at the beginning of the period	**721,950**	**861,894**
Cash and cash equivalents at the end of the period	**1,213,609**	**721,950**

Cash and cash equivalents comprise the following items:		
Cash	1,183,519	680,411
Receivables from central banks repayable on demand	30,090	41,539
Total cash and cash equivalents	**1,213,609**	**721,950**

Adjustments for items without cash flow effect		
Impairment losses on financial assets	19,760	5,294
Changes in fair value	-16,689	253
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	24,609	18,539
Effect of associates on profit	-70	-936
Adjustments for life insurance operations	5,433	108,372
Other adjustments	7,433	
Gain or loss on sale of investment property and property, plant and equipment and intangible assets	497	
Income taxes	14,648	20,675
Total Adjustments for items without cash flow effect	**55,622**	**152,196**

Dividends received	190,723	197,946
Interest paid	31,783	41,795
Dividends received	4,255	6,728

Savings Banks Group's statement of changes in equity

(EUR 1,000)	Basic capital	Share premium fund	Primary capital	Fair value reserve	Reserve for hedging instruments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1 January 2019	**20,338**	**34,475**	**60,354**	**-2,858**	**2,552**	**69,760**	**85,483**	**249,766**	**733,762**	**1,003,866**	**24,929**	**1,028,795**
Comprehensive income												
Profit									72,949	72,949	1,486	74,436
Other comprehensive income				16,990	-301			16,690	-908	15,782	2,367	18,149
Total comprehensive income				**16,990**	**-301**			**16,690**	**72,042**	**88,732**	**3,854**	**92,585**
Transactions with owners												
Distribution of profits									-1,861	-1,861		-1,861
Other changes	1	-23				456	470	904	-1,821	-918	-203	-1,121
Changes that did not result in loss of control									-7	-7		-7
Total equity 31 December 2019	**20,339**	**34,452**	**60,354**	**14,133**	**2,252**	**70,216**	**85,953**	**267,359**	**802,114**	**1,089,812**	**28,579**	**1,118,391**
Equity 1 January 2020	**20,339**	**34,452**	**60,354**	**14,133**	**2,252**	**70,216**	**85,953**	**267,359**	**802,114**	**1,089,812**	**28,579**	**1,118,391**
Comprehensive income												
Profit									51,280	51,280	1,136	52,416
Other comprehensive income				3,729	-451			3,278	-724	2,554	-148	2,405
Total comprehensive income				**3,729**	**-451**			**3,278**	**50,557**	**53,834**	**988**	**54,822**
Transactions with owners												
Distribution of profits									-1,702	-1,702	-99	-1,801
Tranfers between items	4,897		27,651			-17,249	-11,829	3 470	-3,168	302		302
Other changes		-2,000	39,667			-4,380	12	33,298	-48,004	-14,706		-14,705
Changes that did not result in loss of control									26,730		-28,030	-1,300
Total equity 31 December 2020	**25,236**	**32,452**	**127,672**	**17,862**	**1,801**	**48,586**	**74,136**	**307 406**	**826,526**	**1,127,540**	**1,438**	**1,155,709**

BASIS OF PREPARATION

NOTE 1: DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

The Savings Banks Group is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by Savings Banks. Together the Savings Banks form a banking group that operates locally as well as nationally. The basic objective of the Savings Banks is to promote thrift, the financial wellbeing of their customers and to operate near their customers. The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range offered is complemented with the other financial services and products provided in cooperation with the service and product companies within the Savings Banks Group. The service and product companies within the Savings Banks Group support and promote the operations of the Savings Banks Group via producing centralised services or having responsibility for certain products. The most significant service and product companies of the Savings Banks Group are Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd, Savings Bank Services Ltd and Sp-Koti Oy.

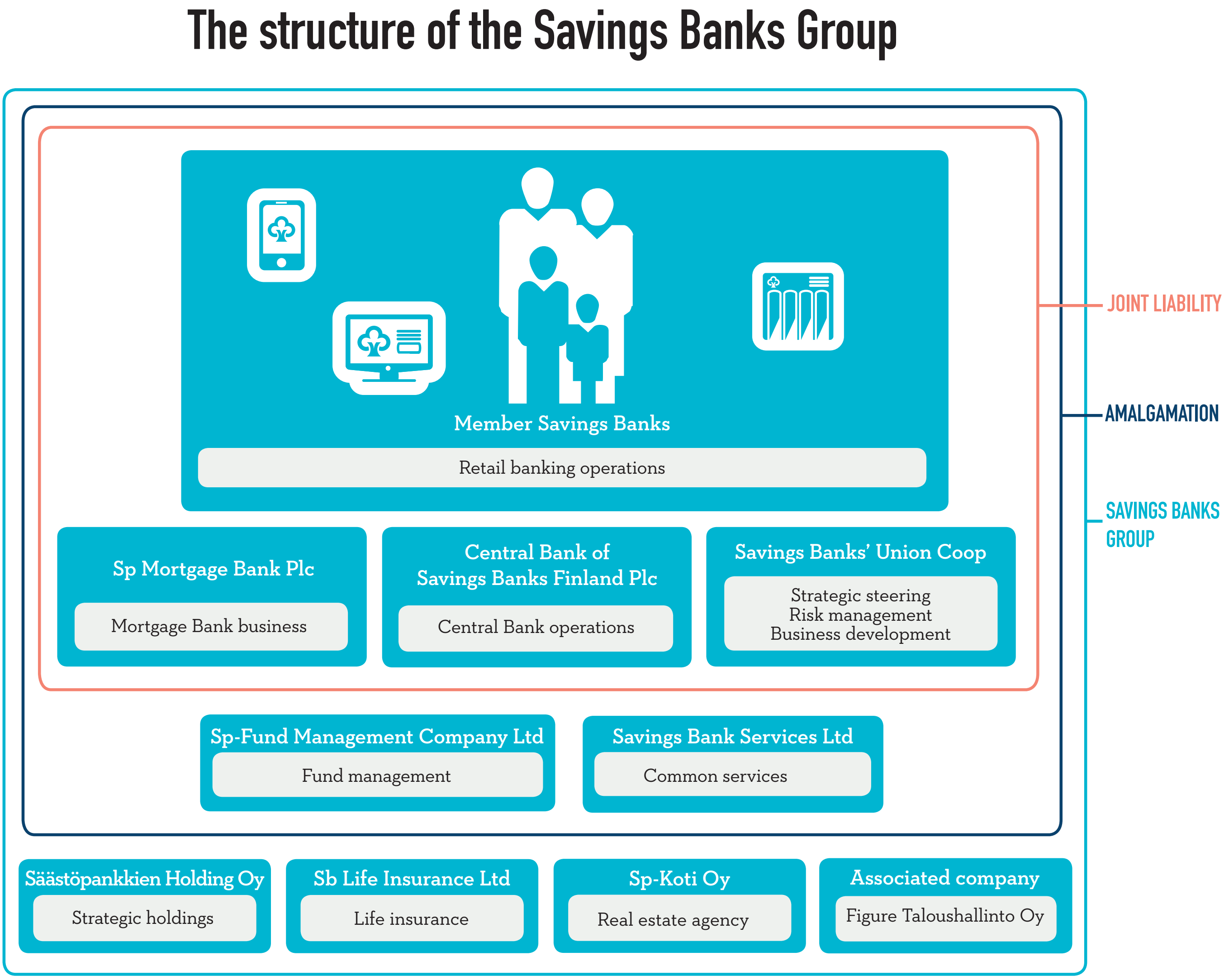
The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises 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 Plc as well as the companies within the consolidation groups of the above-mentioned entities and Sp-Fund Management Company Ltd.

The structure of the Savings Banks Group differs from that of the Savings Banks 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. The Savings Banks' Union Coop and its member Savings Banks do not have control over each other as referred to in the general consolidation accounting principles and therefore it is not possible to define a parent company for the Savings Banks Group.

During the financial year, two savings bank mergers were completed. Huittisten Säästöpankki merged with Aito Säästöpankki and Sysmän Säästöpankki merged with Helmi Säästöpankki. Due to these mergers, the number of savings banks in the Amalgamation and in the Savings Banks Group declined from 20 to 18 banks. These mergers have no effect on the Savings Banks Group's profit, as they are intra-group transactions.

As previously announced, on 6 November 2020 the Savings Banks Group acquired Oma Savings Bank Plc's shares in Nooa Savings Bank Ltd, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd, Säästöpankkien Holding Oy and Central Bank of Savings Banks Finland Plc. The acquisition of the minority interests did not have an effect on the Savings Banks Group's result.

The structure of the Savings Banks Amalgamation and the Savings Banks Group are described in the chart below:



Savings Banks' Union Coop steers the operations of the Savings Banks Group and is responsible for the in-ternal control framework. According to the Amalgamation Act Savings Banks' Union Coop acting as the Central Institution of the Savings Banks Amalgamation is obliged to prepare consolidated financial state-ments for the Savings Banks Group. The Board of Directors of Savings Banks' Union Coop is responsible for preparing the financial statements. The companies consolidated into the financial statements are listed in note the 42. The financial statements are prepared for the financial group formed by the Savings Banks Group. All figures presented hereafter are Savings Banks Group's figures unless otherwise stated.

Savings Banks' Union Coop's registered office is in Helsinki and its registered address is Teollisuuskatu 33, FI-00510 Helsinki.

The Savings Banks Group's financial statements and half-year report are available at *www.saastopankki.fi/saastopankkiryhma* or at the premises of Savings Banks' Union Coop, address Teollisuuskatu 33, FI-00510 Helsinki.

The Board of directors of Savings Banks' Union Coop has in their meeting 15 February 2021 approved the Savings Banks Group's consolidated financial statements for the financial year ending 31 December 2020. The consolidated financial statements will be presented to the cooperative meeting of Savings Banks' Union Coop in the meeting scheduled for 11th March 2021.

NOTE 2: ACCOUNTING POLICIES

General

The consolidated financial statements of the Savings Banks' Group are prepared in accordance with the International Financial Reporting Stand ards (IFRS) and IFRIC interpretations as adopted by the European Union.

The release of financial statements of 1.1.-31.12.2020 has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard. Accounting principles applied in the release of financial statements are essentially the same as in the financial statement of 2019. The financial statement 2019 contain the full accounting principles.

The release of the financial statements has been audited.

The Savings Banks Group's consolidated financial statements are prepared in euros, which is the accounting presentation and functional operational currency of the Savings Banks Group.

Critical accounting estimate and judgements

IFRS-compliant financial statements require the Savings Banks Group's management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and other information such as the amounts of income and expense. Although these estimates are based on the management's best knowledge at the time, it is possible that actual results differ from the estimates used in the financial statements.

The critical estimates of the Savings Banks Group concern the future and key uncertainties related to esti-mates at the reporting date, and they relate in particular to determining fair value, impairment of financial assets, life insurance liabilities, recognition of deferred tax on confirmed tax losses, and the present value of pension obligations.

In the financial statements dated 31 December 2020, the most significant uncertainty influencing the management's estimates has been the prevailing COVID-19 pandemic. There is considerable uncertainty associated with estimating the economic impacts of the coronavirus pandemic, which particularly influences the assessment of the expected credit losses on financial assets.

Determination of expected credit losses

The Savings Banks Group's expected credit loss calculation models contain several factors that require the management's judgment.

- Selection of the models used in the calculations so that they illustrate the expected credit losses of the contract portfolio as accurately as possible.
- Assumptions and expert assessments included in the models
- Defining the quantitative and qualitative criteria for a significant increase in credit risk
- Selection of the macroeconomic factors describing future economic development used in the calculations so that changes in the selected factors are correlated with the probability of contract default.
- Preparing economic forecasts and predicting the probability of their future realisation.

The Savings Banks Group uses modelling-based calculations for determining expected credit losses but, where necessary, the figures generated by the models are adjusted to reflect the management's judgment. Recognising an adjustment may be based on, for example, newly available information or a new factor that is not included in the parameters or inputs used in the calculation model. The exceptional uncertainty regarding future economic development that prevailed during the financial year and the reduced forecast ability of macroeconomic forecasting models have increased the significance of the management's judgment and estimates.

On the balance sheet date, the adjustments based on the management's judgment have been associated especially with receivables in stage 3 and, when assessing the need and extent of adjustments, attention has been paid especially to the following factors that influence the expected credit loss amount.

- Considering the nature and value of receivable-related collaterals, the effect of the regional economic situation on the price level of residential properties, for instance.
- Amount and timing of receivables' contractual cash flows, taking into account available counterparty information that is not included in the calculation model. Such information includes, for instance, changes in employment or the number and duration of instalment-free periods that have been applied for.
- Change in the credit risk of the receivable counterparty, resulting from factors such as pandemic-related restrictions that influence business or employment that are not included in the calculation model.

Based on an analysis of the credit portfolio, the Savings Banks Group does not have significant sector-specific risk concentrations that would necessitate increases to the expected credit losses indicated by the forecasting models by making adjustments based on the management's judgment. In evaluating the quality of the credit portfolio, special attention was given to stage 3 receivables and the number, recurrence and allocation of instalment-free periods granted by the Group. The instalment-free periods granted in the spring mostly ended in September–October and a significant proportion of them were not extended. The number of forbearance concessions has remained stable.

The Savings Banks Group updated the four macroeconomic scenarios used in the ECL calculation model in November. The macroeconomic variables used in the scenarios and the weights assigned to the different scenarios have not been changed.

New and amended standards applied in financial year ended

Savings Banks Group has applied, as from 1 January 2020, the following new and amended standards that have entered into effect.

Amendments to References to Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)

The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs. The change in the standard did not have an impact on Savings Banks Group's consolidated financial statements.

Definition of a Business – Amendments to IFRS 3 (effective for financial years beginning on or after 1 Janu-ary 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assess-ment of whether an acquired set is a group of assets rather than a business. The change in the standard did not have an impact on Savings Banks Group's consolidated financial statements.

Definition of Material – Amendments to IAS 1 and IAS 8 (effective for financial years beginning on or after 1 January 2020)

The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the defini-tion have been improved. The change in the standards did not have an impact on Savings Banks Group's consolidated financial statements.

Interest Rate Benchmark Reform – Phase 1 – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for fi-nancial years beginning on or after 1 January 2020)

Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The change in the standards did not have an impact on Savings Banks Group's consolidated financial statements.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 (effective for financial years beginning on or after 1 June 2020)

The amendment allows the lessees not to account for rent concessions as lease modifications if the conces-sions are a direct consequence of the covid-19 pandemic and only if certain conditions are met. The Savings Banks Group has not applied the standard's amendment in the Savings Banks Group's financial statements.

Adoption of new and amended standards in future financial years

Savings Banks Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Savings Banks Group will adopt them as of the effective date or, if that date is not the first day of the financial year, from the beginning of the subsequent financial year.

* not yet endorsed for use by the European Union as of 31 December 2020.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16* (to be applied from 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items. The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37* (to be applied from 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs. The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

Annual Improvements to IFRS Standards 2018–2020 * (to be applied from 1 January 2022)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following stand-ards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent – a subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of fi-nancial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 Leases – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.
- IAS 41 Agriculture – Taxation in fair value measurements. This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. When a present value technique is used to measure fair value, the assumptions used for the cash flows and discount rates should be in-ternally consistent – i.e. using either after tax or pre-tax for both.

The change in the standards will have no significant impact on Savings Banks Group's consolidated financial statement.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1* (to be applied from 1 Janu-ary 2023)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

IFRS 17 Insurance Contracts* (to be applied from 1 January 2023) The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard in Savings Banks Group. The Savings Banks Group has already begun to prepare for the changes introduced by the new standard.

PROFIT FOR THE PERIOD

NOTE 3: OPERATING SEGMENTS

The Savings Banks Group reports information about its operating segments in compliance with IFRS 8. According to IFRS 8, the financial information regularly provided to the chief operating decision maker forms the basis for segment reporting. Thus the segment division of the information presented in the Financial Statements is based on the same division as is applied in management reporting.

The chief operating decision maker of the Savings Banks Group is the Board of Directors of Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation of Savings Banks. According to the rules of Savings Banks' Union Coop, the Board of Directors of the Central Institution bears the primary responsibility for allocating the resources and evaluating the performance of the Savings Banks Group.

The reportable segments of the Savings Banks Group include Banking as well as Asset Management Services. Operations not included in the reportable segments are presented in the reconciliations.

The Banking segment comprises the member Savings Banks, the Central Bank of Savings Banks Finland Plc and Sp Mortgage Bank Plc . Savings Banks practice retail banking. The Central Bank of Savings Banks acts as the central bank of the Savings Banks. Sp Mortgage Bank Plc is engaged in mortgage banking. The most significant income items of Banking are net interest income, fee and commission income as well as investment income. The most significant expense items consist of personnel expenses and other operating expenses.

The Asset Management Services segment comprises Sp- Fund Management Company Ltd and Sb Life Insurance Ltd. Sp-Fund Management Company Ltd is engaged in administration of mutual funds and asset management, whereas Sb Life Insurance Ltd practises life insurance operations. The most significant income items of the Asset Management Services segment are fee and commission income, insurance premiums and investment income. The most significant expense items consist of fee and commission expenses, claims incurred, personnel expenses and other operating expenses.

Segment reporting is prepared in compliance with the accounting policies of the financial statements of the Savings Banks Group.

Internal transactions of the reportable segments are eliminated within and between the segments. Acquisition cost eliminations, non-controlling interests and other intra-group arrangements are included in the eliminations presented in reconciliations.

Pricing between the segments is based on market prices.

In accordance with IFRS 8, Savings Banks Group is required to disclose business with a single external customer that generates 10% or more of the combined revenue. The Group has no such customers for which revenue would exceed 10%.

Income statement 2020 (EUR 1,000)	Banking	Asset management services	Reportable segments in total
Net interest income	161,153	-131	161,022
Net fee and commission income	68,690	30,806	99,497
Net investment income	19,576	-398	19,178
Net life insurance income		18,335	18,335
Other operating revenue	8,102	118	8,220
Total operating revenue	**257,521**	**48,731**	**306,252**
Personnel expenses	-61,429	-7,761	-69,190
Other operating expenses and depreciations	-140,886	-10,047	-150,933
Total operating expenses	**-202,314**	**-17,808**	**-220,123**
Net impairment loss on financial assets	-19,775		-19,775
Profit before tax	**35,431**	**30,923**	**66,354**
Taxes	-8,339	-6,145	-14,484
Profit	**27,092**	**24,777**	**51,870**
Statement of financial position 2020			
Cash and cash equivalents	1,183,519		1,183,519
Loans and advances to credit institutions	109,060		109,060
Loans and advances to customers	9,284,085		9,284,085
Derivatives	76,438		76,438
Investment assets	1,423,097		1,423,097
Life insurance assets		1,007,198	1,007,198
Other assets	253,577	11,578	265,155
Total assets	**12,329,776**	**1,018,776**	**13,348,552**
Liabilities to credit institutions	389,890		389,890
Liabilities to customers	7,783,609		7,783,609
Derivatives	570		570
Debt securities issued	2,626,632		2,626,632
Life insurance liabilities		960,690	960,690
Subordinated liabilities	29,136		29,136
Other liabilities	133,231	15,976	149,207
Total liabilities	**10,963,068**	**976,667**	**11,939,734**
Number of emplyees at the end of the period	**1,000**	**81**	**1,081**

Reconciliations (EUR 1,000)	1-12/2020	1-12/2019
Revenue		
Total revenue for reportable segments	306,252	312,340
Non allocated revenue, other operations	336	9,055
Total revenue of the Group	**306,588**	**321,395**
Profit		
Total profit or loss for reportable segments	51,870	67,434
Non allocated amounts	223	6,698
Total profit of the Group	**52,092**	**74,132**

	31.12.2020	31.12.2019
Assets		
Total assets for reportable segments	13,348,552	12,009,105
Non allocated assets, other operations	-251,489	
Total assets of the Group	**13,097,063**	**12,009,105**
Liabilities		
Total liabilities for reportable segments	11,939,734	10,890,413
Non allocated liabilities, other operations	1,620	301
Total liabilities of the Group	**11,941,354**	**10,890,714**

Income statement 2019 (EUR 1,000)	Banking	Asset management services	Reportable segments in total
Net interest income	155,784	-138	155,646
Net fee and commission income	62,616	27,556	90,172
Net investment income	39,733	-386	39,347
Net life insurance income		15,426	15,426
Other operating revenue	11,675	73	11,749
Total operating revenue	**269,808**	**42,532**	**312,340**
Personnel expenses	-63,992	-7,208	-71,200
Other operating expenses and depreciations	-136,996	-10,670	-147,666
Total operating expenses	**-200,988**	**-17,878**	**-218,866**
Net impairment loss on financial assets	-8,364		-8,364
Profit before tax	**60,457**	**24,653**	**85,110**
Taxes	-15,447	-2,229	-17,676
Profit	**45,010**	**22,425**	**67,434**
Statement of financial position 2019			
Cash and cash equivalents	683,111		683,111
Loans and advances to credit institutions	112,675		112,675
Loans and advances to customers	8,908,907		8,908,907
Derivatives	68,697		68,697
Investment assets	1,173,523		1,173,523
Life insurance assets		936,577	936,577
Other assets	131,948	10,117	142,065
Total assets	**11,078,860**	**946,694**	**12,025,554**
Liabilities to credit institutions	242,010		242,010
Liabilities to customers	6,814,138		6,814,138
Derivatives	3,835		3,835
Debt securities issued	2,809,624		2,809,624
Life insurance liabilities	-6,199	903,793	897,595
Subordinated liabilities	51,020		51,020
Other liabilities	69,126	3,065	72,191
Total liabilities	**9,983,555**	**906,858**	**10,890,413**
Number of emplyees at the end of the period	**1,044**	**78**	**1,122**

NOTE 4: NET INTEREST INCOME

(EUR 1,000)	1-12/2020	1-12/2019
Interest income		
Debts securities eligible for refinancing with Central Bank	4,064	3,973
Loans and advances to credit institutions	324	450
Loans and advances to customers	144,766	143,840
Debt securities	8,420	11,166
Derivative contracts		
Hedging derivatives	23,349	25,477
Other	2,115	1,744
Total	**183,038**	**186,650**
Interest expense		
Liabilities to credit institutions	-3,640	-4,067
Liabilities to customers	-6,880	-10,954
Derivative contracts		
Hedging derivatives	-1,325	-2,380
Debt securities issued	-9,006	-11,658
Subordinated liabilities	-873	-1,532
Other	-347	-439
Total	**-22,071**	**-31,031**
Net interest income	**160,967**	**155,619**

NOTE 5: NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-12/2020	1-12/2019
Fee and commission income		
Lending	18,924	21,268
Deposits	275	328
Payment transfers	44,818	37,994
Securities brokerage	1,373	1,172
Mutual fund brokerage	30,818	27,384
Asset management	530	501
Legal services	4,035	3,934
Custody fees	1,881	1,592
Insurance brokerage	1,544	1,612
Guarantees	2,018	1,918
Other	2,807	2,906
Total	**109,022**	**100,608**
Fee and commission expense		
Payment transfers	-3,458	-3,398
Securities	-408	-858
Mutual funds		-40
Asset management	-792	-772
Other*	-4,621	-5,206
Total	**-9,280**	**-10,274**

*of which the most significant expenses are the shared ATM expenses amounting to EUR 2,408 (2,441) thousand.

Net fee and commission income	**99 742**	**90 334**

NOTE 6: NET INVESTMENT INCOME

(EUR 1,000)	1-12/2020	1-12/2019
Net income from financial assets at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	245	-75
Transferred from fair value reserve during the financial year	991	1,622
Total Debt securities	**1,236**	**1,546**
Shares and participations		
Dividend income	19	82
Total shares and participations	**19**	**82**
Total	**1,255**	**1,629**

Net income from financial asset at fair value through profit or loss		
Debt securities		
Capital gains and losses	89	207
Fair value gains and losses	-1,261	1,555
Shares and participations		
Dividend income	3,685	3,329
Capital gains and losses	17	697
Fair value gains and losses	15,389	32,026
Net income from foreign exchange operations	-193	38
Derivative contracts*)	-101	65
Net income from hedge accounting		
Change in hedging instruments' fair value	14,174	17,065
Change in hedged items' fair value	-11,531	-17,478
Total	**20,268**	**37,505**

* Including EUR -83 thousand (-60) of the ineffective part of cash flow hedges.

Net income from investment property		
Rental and dividend income	6,692	6,768
Capital gains and losses	497	492
Other income from investment property	74	105
Maintenance charges and expenses	-5,097	-5,151
Depreciation and amortisation of investment property	-4,008	-4,641
Rental expenses arising from investment property	-112	-40
Total	**-1,955**	**-2,467**

Net investment income	**19,569**	**36,668**

NOTE 7: NET LIFE INSURANCE INCOME

(EUR 1,000)	1-12/2020	1-12/2019
Premiums written		
Group's share	105,238	102,604
Insurance premiums ceded to reinsurers	-826	-666
Net investment income*	58,915	99,818
Claims incurred		
Claims paid	-77,633	-94,687
Change in provision for unpaid claims	1,167	-1,243
Change in insurance contract liabilities		
Change in life insurance provision	-66,482	-88,306
Other	-2,044	-2,095
Net life insurance income	**18,335**	**15,426**

*Net investment income (EUR 1,000)	1-12/2020	1-12/2019
Net interest	36	95
Dividend income	552	472
Realised capital gains and losses	133	26
Unrealised gains and losses	59,927	97,400
Other investments	213	343
Net income from foreign exchange operation	-375	-11
Net income from unit-linked customer assets	-1,571	1,493
Total	**58,915**	**99,818**

NOTE 8: OTHER OPERATING REVENUE

Other operating revenue (EUR 1,000)	1-12/2020	1-12/2019
Rental and dividend income from owner-occupied property	-8	132
Capital gains from owner-occupied property	86	397
Other income from Banking	6,548	21,909
Other	1,348	912
Other operating revenue	**7,974**	**23,349**

*The most significant item in the comparison perod include capital gain amounting to EUR 12 million from the divestment of the holding in Samlink Oy Ab

NOTE 9: IMPAIRMENT LOSS ON FINANCIAL ASSETS

Financial asset within the scope of accounting for expected credit losses by impairment stage (EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial asset 31 December 2020				
Investment asset	632,984	4,200	4,000	641,184
Loans and advances	8,569,101	577,336	203,129	9,349,566
Off-balance sheet items	599,029	21,986	4,500	625,514
Total	**9,801,113**	**599,321**	**211,629**	**10,616,264**

	Stage 1	Stage 2	Stage 3	Total
Financial asset 31 December 2019				
Investment asset	676,749	1,500	210	678,459
Loans and advances	8,073,404	694,343	207,469	8,975,216
Off-balance sheet items	557,131	20,782	1,640	579,553
Total	**9,307,283**	**715,125**	**209,320**	**10,233,228**

Expected Credit Losses (ECL), Loans and advances and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2020	**5,764**	**3,674**	**28,609**	**38,048**
Transfers to stage 1	289	-1,129	-56	-896
Transfers to stage 2	-209	1,356	-441	706
Transfers to stage 3	-1,054	-730	7,174	5,390
New assets originated or purchased	1,709	294	936	2,940
Assets derecognised or repaid (excluding write offs)	-677	-514	-2,394	-3,585
Amounts written off			-7,985	-7,985
Amounts recovered			282	282
Change in credit risk	-911	-187	6,045	4,948
Change in model for calculation of ECL	1,267	25	2,602	3,893
Net change in ECL				5,692
Expected Credit Losses 31 December 2020	**6,177**	**2,789**	**34,774**	**43,739**

Expected Credit Losses (ECL), Investment asset	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2020	**1,775**	**1,200**	**107**	**3,081**
Transfers to stage 2	-9	111		102
Transfers to stage 3	-7	-1,200	3,128	1,921
New assets originated or purchased	872		124	997
Assets derecognised or repaid (excluding write offs)	-714		-107	-821
Change in credit risk	2,419			2,419
Net change in ECL				4,618
Expected Credit Losses 31 December 2019	**4,336**	**111**	**3,253**	**7,699**

Total Expected Credit Losses 31 December 2020	**51,439**

Total change in Expected Credit Losses 1 January 2020 -31 December 2020	**10,310**

Coronavirus pandemic (COVID-19)

The Savings Banks Group has offered its customers the opportunity of having an instalment-free period and, as a result of the outbreak of the coronavirus pandemic, the number of instalment-free periods granted increased significantly during the first half of the financial year. The average duration of instalment-free periods granted was 7 months and a significant share of the instalment-free periods that ended in the second half of 2020 were not extended. At the end of the financial year, 22% of the loan portfolio was on an instalment-free period (December 2019: 20%), amounting to EUR 2.0 billion (December 2019: EUR 1.8 billion), which is on a par with the comparison period. A granted instalment-free period is interpreted as a significant increase in credit risk and it migrates a contract that is in the ECL stage 1 to the ECL stage 2 if the instalment-free period meets the forbearance criteria. The amount of forbearance measures increased significantly during the first half of the year and was EUR 208.9 million (31 December 2019: EUR 23.8 million) on the balance sheet date.

The calculation of expected credit loss for the credit portfolio (loans and advances to customers and off-balance sheet items) includes a forward-looking perspective by incorporating four different economic scenarios based on macroeconomic forecasts prepared by the Savings Banks Group's Chief Economist. The scenarios used in the calculation and their weights are the following: optimistic – 40%, base – 50%, mild downside – 8% and more extreme downside – 2%. The forecast horizon of the economic scenarios used in ECL calculation is three years and in the years after that, the values of the macroeconomic factors are assumed to remain stable and be equivalent to the three-year values of the forecast period. The coronavirus pandemic has been taken into account in ECL calculation by updating the macroeconomic factors used in the scenarios in the final quarter of the financial year. Below you can see the key macroeconomic factors and their forecast values for the next three years (the value variation range between different scenarios).

	2021	2022	2023
- GDP growth	2.5% / -2.5%	1.3% / 1.0%	1.2% / 1.1%
- Investment growth	4.0% / -3.5%	1.5% / 3.0%	1.50 %
- Unemployment rate	7.5% / 12.0%	7% / 11%	7.0% / 10%
- Inflation	1.0% / -1.5%	0% / 1.5%	1.8% / 0.5%
- Housing prices	1.0% / -4.0%	0% / 1.0%	1.5% / 0.5%

The weaker economic outlook influenced the values of the variables used in the scenarios and increased the Savings Banks Group's ECL amount by EUR 1.4 million. The effect of the update is presented on the row "ECL model parameter changes" in the ECL flow calculation above.

ECL model parameter changes

The Savings Banks Group has shortened the cure period (the period during which the contact must meet, without interruption, the stage 1 criteria) of contracts in the ECL calculation stage 2 from 12 months to 3 months. In addition, the definition of the EAD (exposure at default) and LGD (loss given default) parameters used in ECL calculation has been specified in further detail. The effects of the above-mentioned changes as well as the effects of the annual updates of the parameters used in ECL calculation are presented on the row "ECL model parameter changes" in the ECL flow calculation.

Expected Credit Losses (ECL), Loans and advances and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2019	**5,209**	**5,374**	**24,563**	**35,146**
Transfers to stage 1	395	-1,856	-58	-1,519
Transfers to stage 2	-262	1,303	-373	668
Transfers to stage 3	-267	-816	5,121	4,038
New assets originated or purchased	1,826	425	876	3,127
Assets derecognised or repaid (excluding write offs)	-749	-646	-6,217	-7,612
Amounts written off			-547	-547
Change in credit risk	-384	-110	5,244	4,750
Net change in ECL				2,905
Expected Credit Losses 31 December 2019	**5,768**	**3,674**	**28,609**	**38,050**

Expected Credit Losses (ECL), Investment asset	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2019	**1,686**			**1,686**
Transfers to stage 2	-5	666		661
Transfers to stage 3	-9		167	158
Investments during the period	586	534	3	1,123
Investments expired	-378		-63	-441
Change in credit risk	-157			-157
Change in calculation model	-2			-2
ECL net change				1,341
Expected Credit Losses 31 December 2019	**1,721**	**1,200**	**107**	**3,028**
Total Expected Credit Losses 31 December 2019				**41,078**
Total change in Expected Credit Losses 1 January 2019 -31 December 2019				**4,246**

ASSETS

NOTE 10: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2020 (EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Financial liabilities at amortized cost	Non-financial assets/ liabilities	Total
Cash and cash equivalents	13,491		1,170,028			1,183,519
Loans and advances to credit institutions	109,060					109,060
Loans and advances to customers	9,282,311		1,350			9,283,660
Derivatives						
hedging derivatives						
cash flow			2,637			2,637
fair value			73,801			73,801
Investment assets	7,692	685,635	426,959		38,915	1,159,201
Life insurance assets*		157,983	859,567		5,011	1,022,561
Total assets	**9,412,553**	**843,619**	**2,534,342**		**43,926**	**12,834,440**

Financial liabilities at fair value through profit or loss						
Liabilities to credit institutions				389,879		389,879
Liabilities to customers				7,778,931		7,778,931
Derivatives						
hedging derivatives						
fair value			570			570
Debt securities issued				2,626,632		2,626,632
Life insurance liabilities*			854,766	99,246	3,161	957,174
Subordinated liabilities				29,220		29,220
Total liabilities			**855,337**	**10,923,908**	**3,161**	**11,782,406**

* Items at fair value through profit or loss include investments covering unit-linked contracts and related liabilities.

31.12.2019 (EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Financial liabilities at amortized cost	Non-financial assets/ liabilities	Total
Cash and cash equivalents	14,096		666,315			680,411
Loans and advances to credit institutions	110,450					110,450
Loans and advances to customers	8,906,493		530			8,906,493
Derivatives						
hedging derivatives						
cash flow			3,272			3,272
fair value			65,425			65,425
Investment assets	37,040	640,460	423,209		40,073	1,140,782
Life insurance assets*		170,454	780,052		1,456	951,962
Total assets	**9,068,078**	**810,914**	**1,938,802**		**41,530**	**11,858,794**
Financial liabilities at fair value through profit or loss			3,909			3,909
Liabilities to credit institutions				242,010		242,010
Liabilities to customers				6,804,436		6,804,436
Derivatives						
hedging derivatives						
fair value			3,835			3,835
Debt securities issued				2,755,856		2,755,856
Life insurance liabilities*			778,993	109,619	4,036	892,648
Subordinated liabilities				51,104		51,104
Total liabilities			**786,737**	**9,963,025**	**4,036**	**10,753,798**

* Items at fair value through profit or loss include investments covering unit-linked contracts and related liabilities.

NOTE 11: LOANS AND ADVANCES

31.12.2020 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	109,060		109,060
Total	**109,060**		**109,060**
Loans and advances to customers			
By products			
Used overdrafts	80,649	-1,994	78,655
Loans	8,671,111	-37,418	8,633,693
Interest subsidized housing loans	479,202	-1,305	477,898
Loans granted from government funds	167	-7	160
Credit cards	93,834	-1,423	92,412
Guarantees	988	-145	843
Total	**9,325,952**	**-42,292**	**9,283,660**
Loans and advances total	**9,435,012**	**-42,292**	**9,392,720**

31.12.2019 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	110,450		110 450
Total	**110,450**		**110 450**
Loans and advances to customers			
By products			
Used overdrafts	87,126	-1,995	85,131
Loans	8,318,985	-32 165	8,286,820
Interest subsidized housing loans	435,804	-1,239	434,564
Loans granted from government funds	254	-18	236
Credit cards	100,011	-1,294	98,717
Guarantees	1 118	-185	934
Other receivables	91		91
Total	**8,943,388**	**-36,895**	**8,906,493**
Loans and advances total	**9,053,838**	**-36,895**	**9 016 943**

NOTE 12: DERIVATIVES AND HEDGE ACCOUNTING

The Savings Banks Group hedges its interest rate risk against changes both in fair value and in cash flows and applies hedge accounting on hedging relationships. Fair value hedging is applied when fixed interest rate deposits are hedged. Cash flow hedging is applied when hedging the future interest cash flow from variable rate lending.

Changes in the fair value of derivatives in fair value hedging are recognised in the income statement under Net investment income. In fair value hedging, also the hedged item is measured at fair value during the hedging period even if the item is otherwise measured at amortised cost. Changes in the fair value of the hedged item are recognised in the balance sheet as an adjustment to the corresponding balance sheet item and in the income statement under Net investment income. Interests on hedging derivatives are presented as interest income and expense depending on their nature.

The effective part of changes in the fair value of derivatives hedging cash flows are recognised in equity in the reserve for hedging instruments after adjustments for deferred taxes. The ineffective part of changes in fair value are recognised in the income statement under Net investment income. Interests on hedging derivatives are presented as interest income and expense depending on their nature.

31.12.2020	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	**566,020**	**719,000**	**1,028,000**	**2,313,020**	**73,801**	**570**
Interest rate derivatives	560,000	719,000	1,028,000		73,546	315
Equity and index derivatives	6,020				255	255
Cash flow hedging	**10,000**	**40,000**			**2,637**	
Interest rate derivatives	10,000	40,000			2,637	
Total	**576,020**	**759,000**	**1,028,000**	**2,313,020**	**76,438**	**570**

Derivatives total	**76,438**	**570**

In the financial year 2020, EUR -451 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective part of cash flow hedging totalled EUR -83 thousand in the financial year 2020 and was recognised in Net investment income.

Hedged cash flows are expected to affect profit during the following periods:

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	1,060	1,777		2,837
Total	**1,060**	**1,777**		**2,837**

31.12.2019	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	**566,982**	**1,247,020**	**933,000**	**2,747,003**	**65,425**	**3,835**
Interest rate derivatives	535,000	1,241,000	933,000	2,709,000	62,681	1,090
Equity and index derivatives	31,982	6,020		38,003	2,744	2,744
Cash flow hedging		**50,000**		**50,000**	**3,272**	
Interest rate derivatives		50,000		50,000	3,272	
Total	**566,982**	**1,297,020**	**933,000**	**2,797,003**	**68,697**	**3,835**

Derivatives total	**68,697**	**3,835**

In the financial year 2019, EUR -376 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective part of cash flow hedging totalled EUR 60 thousand in the financial year 2019 and was recognised in Net investment income.

Hedged cash flows are expected to affect profit during the following periods:

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	1,013	2,515		3,529
Total	**1,013**	**2,515**		**3,529**

NOTE 13: INVESTMENT ASSETS

(EUR 1,000)	31.12.2020	31.12.2019
At fair value through other comprehensive income		
Debt securities	682,367	639,344
Shares and participations	3,268	1,116
Total	**685,635**	**640,460**
Fair value through profit or loss		
Debt securities	24,452	41,405
Shares and participations	402,507	381,804
Total	**426,959**	**423,209**
Amortised cost investments		
Debt securities	7 745	37,451
Expected Credit Losses	-53	-412
Total	**7 692**	**37,040**
Investment property	38 915	40,073
Investment assets	**1 159 201**	**1,140,782**

Breakdown by issuer of quotation

31.12.2020 (EUR 1,000)	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Total
Quoted				
From public entities	120,289	821	7,201	128,312
From others	561,869	398,629	100	960,598
Other				
From others	3,477	27,509	338	31,324
Total	**685,635**	**426,959**	**7,639**	**1,120,234**

31.12.2019				
Quoted				
From public entities	218,983	361,054	35,640	615,676
From others	398,873	35,881		434,754
Other				
From others	22,603	26,275	1,400	50,279
Total	**640,460**	**423,209**	**37,040**	**1,100,709**

NOTE 14: LIFE INSURANCE ASSETS

(EUR 1,000)	31.12.2020	31.12.2019
Investments covering for unit-linked policies		
At fair value through profit or loss		
Investment funds	515,183	449,394
Asset management portfolio	133,699	132,781
Other unit-linked covering assets	207,693	197,876
Investments covering for unit-linked policies total	**856,574**	**780,052**
Other investments		
At fair value through profit or loss		
Debt securities	2,992	3,878
Total	**2,992**	**3,878**
Available-for-sale financial assets		
Debt securities	1,245	2,075
Shares and participations	156,739	164,501
Total	**157,983**	**166,576**
Other investments total	**160,976**	**170,454**
Total life insurance investments	**1,017,550**	**950,506**
Other assets		
Premium receivables	84	340
Other receivables	4,686	723
Accrued income	241	383
Total	**5,011**	**1,446**
Total life insurance assets	**1,022,561**	**951,952**

Breakdown of Life Insurance debt securities recognised at fair value through profit or loss, shares and participations as well as derivatives by issuer of quotation

(EUR 1,000)	31.12.2020			31.12.2019		
	Debt securities	Shares and participations	Derivatives	Debt securities	Shares and participations	Derivatives
Quoted	2,992	856,574		3,878	780,052	
From others	2,992	856,574		3,878	780,052	
Total	**2,992**	**856,574**		**3,878**	**780,052**	

LIABILITIES

NOTE 15: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31.12.2020	31.12.2019
Liabilities to credit institutions		
Liabilities to central banks	62,000	38,000
Liabilities to credit institutions	327,879	204,010
Total	**389,879**	**242,010**
Liabilities to customers		
Deposits	7,723,943	6,751,132
Other financial liabilities	3,149	3,764
Change in the fair value of deposits	51,839	49,539
Total	**7,778,931**	**6,804,436**
Liabilities to credit institutions and customers	**8,168,810**	**7,046,446**

NOTE 16: DEBT SECURITIES ISSUED

(EUR 1,000)	31.12.2020	31.12.2019
Measured at amortised cost		
Bonds	1,064,545	1,246,791
Covered bonds	1,496,153	1,495,065
Other		
Certificates of deposit	65,934	14,000
Debt securities issued	**2,626,632**	**2,755,856**
Of which		
Variable interest rate	709,073	430,364
Fixed interest rate	1,917,559	2,325,493
Total	**2,626,632**	**2,755,856**

The Group has not had delays or defaults in respect of its issued debt securities.

NOTE 17: LIFE INSURANCE LIABILITIES

(EUR 1,000)	31.12.2020	31.12.2019
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	99,246	109,619
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	526,079	534,454
Liabilities for unit-linked investment contracts	328,688	244,540
Reserve arising from liability adequacy test		
Other liabilities		
Accrued expenses and deferred income	2,450	2,571
Other	711	1,464
Life insurance liabilities	**957,174**	**892,648**

Liabilities related to insurance policies are measured in compliance with the Finnish Accounting Standards. The measurement principles are described in more detail in the accounting policies of the official financial statements (note 2). In liability adequacy test, the adequacy of liabilities for insurance policies is compared to the liabilities derived from the internal model. The adequacy test is described in more detail in the accounting policies. Duration is based on the cash flows of insurance contract liabilities derived from the internal model and on a risk-free interest rate curve.

OTHER NOTES

NOTE 18: FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

Financial instruments are presented in the Group's balance sheet at fair value or at amortized cost. The classification of financial assets and liabilities by valuation technique as well as the criteria for measurement methods and for determining fair value are described in the accounting policies (Note 2).

The fair values of financial instruments are primarily determined using quotations on a publicly traded market or market prices received from third parties. If quoted market prices are not available, balance sheet items are mainly measured by discounting future cash flows using market interest rates at the balance sheet date. In respect of cash and deposits payable on demand, the nominal value is considered equivalent to the fair value.

Investment property in the Group's financial statements is measured at cost less depreciation and impairment. The fair value of investment property is presented in the notes. Fair values are determined on the basis of market prices which are as comparable as possible or a valuation model which is based on net income from investment property. An independent appraiser's opinion on the valuation is sought for the most material properties.

The Savings Banks Group does not have assets measured at fair value on a non-recurring basis.

Fair value hierarchy

Level 1 consists of financial assets, for which the value is determined based on quotes on a liquid market. Market is considered liquid if the prices are available easily and regularly enough. Level 1 includes quoted bonds as well as other securities and listed shares and derivatives which are quoted on public.

Level 2 includes financial assets for which there is no quotation directly available on an active market and whose fair value is estimated using valuation techniques or models. These are based on assumptions which are supported by verifiable market information such as the listed interest rates or prices of similar instruments. This group includes e.g. currency and interest rate derivatives as well as commercial papers and certificates of deposit.

Level 3 includes financial assets whose fair value cannot be derived from public market quotations or through valuation techniques or models which are based on observable market data. Level 3 comprises unquoted equity instruments, structured investments and other securities for which there is currently no binding market quotation available. The fair value at level 3 is often based on price information received from a third party.

Transfers between levels

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such a transfer or when circumstances change.

In the period 1-12/2020, there were no transfers between levels 1 and 2.

31.12.2020	Carrying amount	Fair value by hierarchy level			
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	1,598,337	1,575,388		22,949	**1,598,337**
Asset Management Services*	859,567	858,620		947	**859,567**
Derivative contracts					
Banking	76,438		76,438		**76,438**
Fair value through other comprehensive income					
Banking	685,635	676,896	3,999	4,740	**685,635**
Asset Management Services*	157,983	151,053		6,930	**157,983**
Measured at amortised cost					
Investments, Banking	7,692	7,858			**7,858**
Loans and other receivables, Banking	9,404,861		10,922,864		**10,922,864**
Total financial assets	**12,790,514**	**3,269,815**	**11,003,301**	**35,567**	**14,308,682**
Investment property					
Banking	38,915			67,538	67,538
Total	**38,915**			**67,538**	**67,538**

* including fair value of investments covering unit-linked policies, which are reported on level 1.

** The other investors' share of the consolidated mutual funds.

31.12.2020	Carrying amount	Fair value by hierarchy level			
Financial liabilitie (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Asset Management Services*	854,766	854,766			**854,766**
Derivative contracts					
Banking	570		570		**570**
Measured at amortised cost					
Banking	10,824,662	2,579,940	7,278,230	769,983	**10,628,152**
Total financial liabilities	**11,679,998**	**3,434,706**	**7,278,800**	**769,983**	**11,483,489**

* Includes liabilities for unit-linked insurance and investments contracts which are reported on level 1 in accordance of the underlying investment.
** The other investors' share of the consolidated mutual funds.

Changes at level 3

Reconciliation of changes in financial instruments at level 3

Financial assets at fair value through profit or loss (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2020	**18,167**	**2,124**	**20,291**
Purchases	11,335		11,335
Sales	-8,363	-1,140	-9,503
Matured during the period	-62		-62
Changes in value recognised in income statement, realised	107	-27	80
Changes in value recognised in income statement, unrealised	455	-11	444
Transfers from level 1 and 2	1,310		1,310
Carrying amount 31 December 2020	**22,949**	**947**	**23,896**

Changes in value recognised in the income statement are presented in the item "Net investment income" and "Net life insurance income".

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2020	**3,920**	**11,557**	**15,477**
Purchases	1,062		1,062
Sales	-1,422	-5,610	-7,031
Matured during the period	5		5
Changes in value recognised in income statement, realised	-11	716	705
Changes in value recognised in comprehensive income statement	196	268	464
Transfers from level 1 and 2	990		990
Carrying amount 31 December 2020	**4,740**	**6,930**	**11,671**

Changes in fair value recognized in the income statement during the year are included in the item "Net investment income" and "Net life insurance income". Unrealized changes in fair value are booked in the equity fair value reserve through the other comprehensive income.

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)		
31.12.2020	Carrying amount	Effect of hypothetical changes' on profit, negative
At fair value through profit or loss		
Banking	22,949	-735
Asset Management Services	947	-24
Total	**23,896**	**-760**
Fair value through other comprehensive income		
Banking, liabilities	4,740	-7
Asset Management Services	6,930	-1,040
Total	**11,671**	**-1,046**
Total	**35,567**	**-1,806**

The above table shows the sensitivity of fair value for level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming 1 percentage points parallel shift of the interest rate level in all maturities. For non-interest sensitive instrumetns the market prices are assumed to change by -15 percentage. For derivatives it is assumed that the possible change in value equals to the fair value of the derivative.

31.12.2019	Carrying amount	Fair value by hierarchy level			
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	1,090,054	1,071,357		18,167	**1,090,054**
Asset Management Services*	783,930	781,806		2,124	**783,930**
Derivative contracts					
Banking	68,697		68,697		**68,697**
Fair value through other comprehensive income					
Banking	640,460	634,542	1,997	3,920	**640,460**
Asset Management Services*	166,576	155,020		11,557	**166,576**
Measured at amortised cost					
Investment assets, banking	37,040	37,131		400	**37,531**
Loans and advances, banking	9,030,509		11,639,928		**11,639,928**
Total financial assets	**11,817,265**	**2,680,389**	**11,710,621**	**36,168**	**14,427,175**
Investment property					
Banking	40,073			64,610	64,610
Total	**40,073**			**64,610**	**64,610**

* including fair value of investments covering unit-linked policies, which are reported on level 1.

31.12.2019	Carrying amount	Fair value by hierarchy level			
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Asset Management Services*	778,993	778,993			**778,993**
Other operations**	3,909	3,909			**3,909**
Derivative contracts					
Banking	3,835		3,835		**3,835**
Measured at amortised cost					
Banking	9,853,322	3,888,451	6,784,417	238,235	**10,911,102**
Total financial liabilities	**10,640,059**	**4,671,353**	**6,788,252**	**238,235**	**11,697,839**

* Includes liabilities for unit-linked insurance and investments contracts which are reported on level 1 in accordance of the underlying investment.
** The other investors' share of the consolidated mutual funds.

Changes at level 3

Reconciliation of changes in financial instruments at level 3

Financial assets at fair value through profit or loss (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2019	**20,531**	**692**	**21,223**
Purchases	3,344	970	4,313
Sales	-5,521		-5,521
Changes in value recognised in income statement, realised	189		189
Changes in value recognised in income statement, unrealised	682	462	1,145
Transfers between levels 1 and 2	-1,251		-1,251
Carrying amount 31 December 2019	**18,167**	**2,124**	**20,291**

Changes in value recognised in the income statement are presented in the item "Net investment income" and "Net life insurance income".

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2019	**5,347**	**10,899**	**16,245**
Purchases	1,160	4,193	5,352
Sales	-921	-4,322	-5,244
Matured during the period	-1,129		-1,129
Changes in value recognised in income statement, realised	-740	26	-714
Changes in value recognised in comprehensive income statement	-50	762	712
Carrying amount 31 December 2019	2,283		2,283
Transfers between levels 1 and 2	-2,028		-2,028
Carrying amount 31.12.2019	**3,920**	**11,557**	**15,222**

Changes in fair value recognized in the income statement during the year are included in the item "Net investment income" and "Net life insurance income". Unrealized changes in fair value are booked in the equity fair value reserve through the other comprehensive income.

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)		
31.12.2019	Carrying amount	Effect of hypothetical changes' on profit, negative
At fair value through profit or loss		
Banking	18,167	-400
Asset Management Services	2,124	-961
Total	**20,291**	**-1,361**
Fair value through other comprehensive income		
Banking, liabilities	3,920	-43
Asset Management Services	11,557	-1,101
Total	**15,477**	**-1,144**
Total	**35,768**	**-2,505**

The above table shows the sensitivity of fair value for level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming 1 percentage points parallel shift of the interest rate level in all maturities. For non-interest sensitive instrumetns the market prices are assumed to change by -15 percentage. For derivatives it is assumed that the possible change in value equals to the fair value of the derivative.

NOTE 19: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The derivative contracts of the Savings Banks Group are subject to either ISDA Master Agreement or the Master Agreement of the Federation of Finnish Financial Services. Under these agreements, derivative payments may be offset by payment transaction on each payment date as well as in the event of counterparty default or bankruptcy. In addition, it is possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. These derivatives are presented in the statement of financial position on a gross basis.

31.12.2020				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				76,438		60,481	15,957
Total				**76,438**		**60,481**	**15,957**
Liabilities							
Derivative contracts				570		250	320
Total				**570**		**250**	**320**

31.12.2019				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				68,697		51,721	16,975
Total				**68,697**		**51,721**	**16,975**
Liabilities							
Derivative contracts				3,835		1,870	1,965
Total				**3,835**		**1,870**	**1,965**

NOTE 20: COLLATERALS

(EUR 1,000)	31.12.2020	31.12.2019
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans *	2,059,487	1,881,238
Other	91,343	13,558
Collateral given	**2,150,830**	**1,894,796**
Collateral received		
Real estate collateral	8,804,193	8,463,899
Securities	96,654	35,911
Other	127,806	105,291
Guarantees received	49,179	54,736
Collateral received	**9,077,832**	**8,659,838**

*Loans that have given as collateral to Sp Mortage Bank's secured bonds.

NOTE 21: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	31.12.2020	31.12.2019
Guarantees	71,247	70,833
Commitments related to short-term trade transactions	647,056	639,816
Other	2,315	4,178
Off balance-sheet commitments	**720,619**	**714,827**

NOTE 22: RELATED PARTIES

The Board of Savings Banks' Union Coop has defined the related parties of the Savings Banks Group. The related parties of the Savings Banks Group's comprise the entities consolidated in the Group's financial statements, associated companies and key management personnel as well as their close family members. In addition, related parties comprise entities which the key management personnel and/or their close family members control. The key management personnel of the Savings Banks Group comprise the members and deputy members of the Supervisory Board, the members of the Board of Directors, the Managing Director and his deputy as well as the Executive Board of Savings Banks' Union Coop.

Loans and guarantees to related parties have been granted under the terms and conditions which apply to the corresponding customer loans and guarantees.

31.12.2020 (EUR 1,000) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	5,009	2,667	2,227	9,903
Total assets	**5,009**	**2,667**	**2,227**	**9,903**
Liabilities				
Deposits	3,130	3,745	6,317	13,192
Other liabilities	1,026	2,921	198	4,145
Total liabilities	**4,157**	**6,665**	**6,515**	**17,337**
Off balance-sheet commitments				
Loan commitments	461	235	276	972
Total	**461**	**235**	**276**	**972**
Revenue and expense				
Interest income	36	46	34	116
Interest expense	-4	-1	-1	-6
Insurance premiums	217	162		379
Fee and commission income	4	6	2	12
Other expenses			-4,764	-4,764
Total	**253**	**213**	**-4,730**	**-4,264**

* Including key management personnel and their close family members

** Including entities which the key management personnel or their close family members control

(EUR 1,000) Key management personnel compensation	2020	2019
Short-term employee benefits	4,342	4,252
Post-employment benefits		50
Other long-term benefits	499	404
Total	**4,841**	**4,705**

31.12.2019 (EUR 1,000) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	6,673	5,056	6,668	18,397
Total assets	**6,673**	**5,056**	**6,668**	**18,397**
Liabilities				
Deposits	3,240	8,585	2,218	14,042
Other liabilities	1,073	838		1,911
Total liabilities	**4,312**	**9,423**	**2,218**	**15,953**
Off balance-sheet commitments				
Loan commitments	396	330	1,267	1,993
Total	**396**	**330**	**1,267**	**1,993**
Revenue and expense				
Interest income	49	71	61	181
Interest expense	-6	-3		-9
Insurance premiums	80			80
Fee and commission income	4	9	7	20
Other expenses			-4,763	-4,763
Total	**127**	**78**	**-4,695**	**-4,491**

* Including key management personnel and their close family members

** Including entities which the key management personnel or their close family members control

Savings Bank

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