SAVINGS BANKS GROUP'S

BOARD OF DIRECTORS' REPORT AND CONSOLIDATED IFRS FINANCIAL STATEMENTS 31 DECEMBER 2020

Savings Bank

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BOARD OF DIRECTORS' REPORT OF THE SAVINGS BANKS GROUP 1.1. – 31.12.2020

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A record amount of funds was withdrawn from investment funds across Finland in March.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 share of the derivatives used for the management of the interest rate risks of net interest income remained at the level of the comparison period, amounting to EUR 22.0 (23.1) 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 Kvevlax 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 committees 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 9.7 %. 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 12.3 per cent year-on-year and totalled EUR 3.6 billion (EUR 3.2 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.

SAVINGS BANKS GROUP'S CONSOLIDATED IFRS 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	**7**	**160,967**	**155,619**
Net fee and commission income	8	99,742	90,334
Net investment income	9	19,569	36,668
Net life insurance income	10	18,335	15,426
Other operating revenue	12	7,974	23,349
Total operating revenue		**306,588**	**321,395**
Personnel expenses	13	-89,510	-87,228
Other operating expenses	14	-110,046	-111,569
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	15	-20,601	-20,347
Total operating expenses		**-220,157**	**-219,145**
Net impairment loss on financial assets	16	-19,760	-8,379
Associate's share of profits	24	70	936
Profit before tax		**66,740**	**94,807**
Income tax expense	17	-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	19	1,183,519	680,411
Loans and advances to credit institutions	20	109,060	110,450
Loans and advances to customers	20	9,283,660	8,906,493
Derivatives	21	76,438	68,697
Investment assets	22	1,159,201	1,140,782
Life insurance assets	23	1,022,561	951,962
Investments in associates and joint ventures	24	300	231
Property, plant and equipment	25	52,151	57,956
Intangible assets	26	38,709	37,462
Tax assets	27	10,792	3,873
Other assets	28	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	29		3,909
Liabilities to credit institutions	30	389,879	242,010
Liabilities to customers	30	7,778,931	6,804,436
Derivatives	21	570	3,835
Debt securities issued	31	2,626,632	2,755,856
Life insurance liabilities	32	957,174	892,648
Subordinated liabilities	33	29,220	51,104
Tax liabilities	27	73,933	59,955
Provisions and other liabilities	34	85,015	77,241
Total liabilities		**11,941,354**	**10,890,995**
Equity			
Basic capital	35	25,236	20,339
Primary capital		32,452	34,452
Reserves	35	270,056	232,906
Retained earnings	35	826,526	802,073
Total equity attributable to equity holders of the Group		**1,154,271**	**1,089,770**
Non-controlling interests	35	1,438	28,621
Total equity		**1,155,709**	**1,118,391**
Total liabilities and equity		**13,097,063**	**12,009,105**

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.

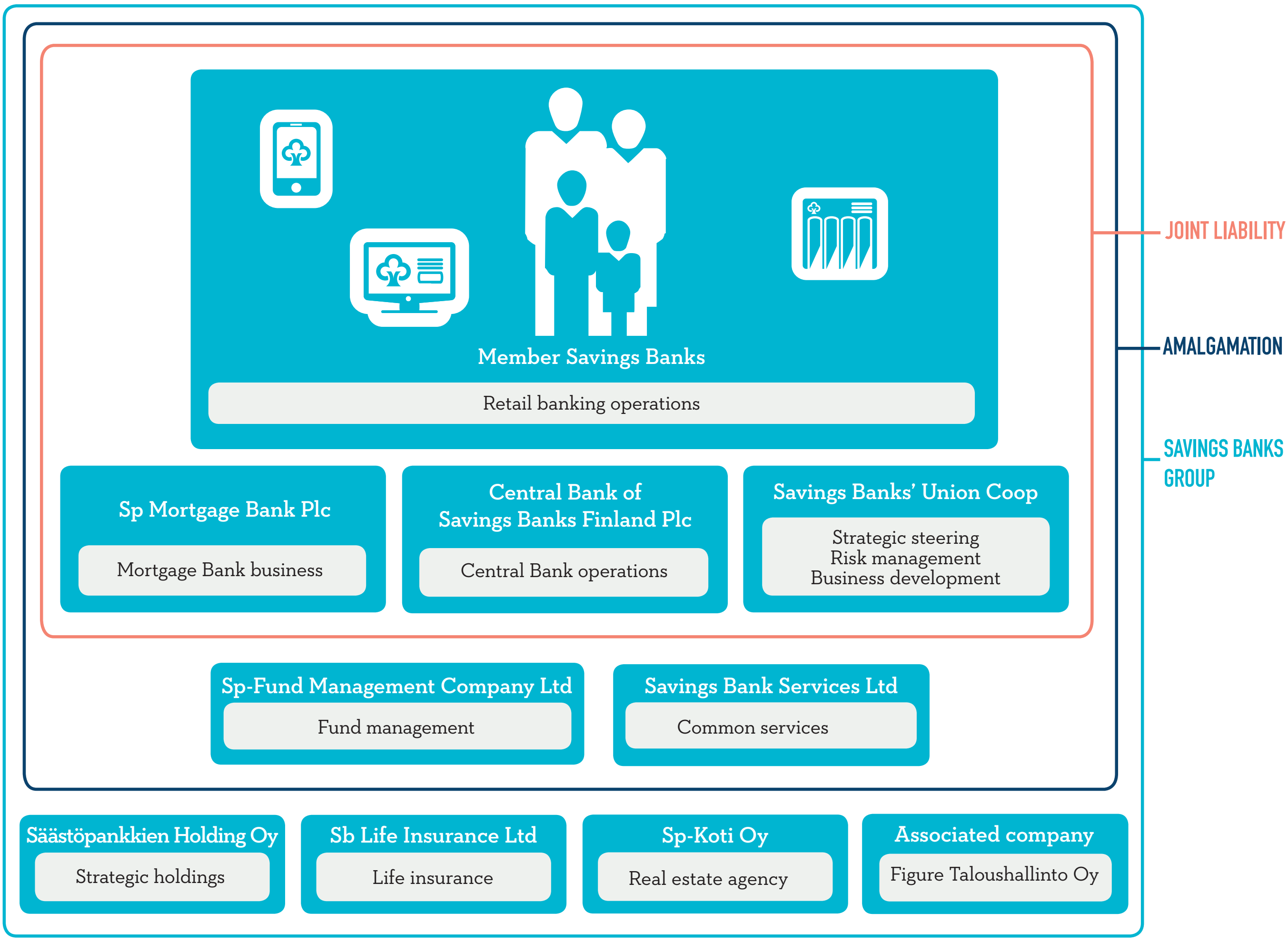
The structure of the Savings Banks Group differs from that of the Savings Banks Amalgamation so that the Savings Banks Group also includes organisations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy. The Savings 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:

The structure of the Savings Banks Group



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 Te-ollisuuskatu 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

1. General

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

In accordance with the principles of the Act on the Amalgamation of Deposit Banks as well as IAS 8 concerning accounting policies, changes in accounting estimates and errors, the Board of Directors of the Savings Banks' Union Coop confirms any accounting policy for which no guidance is available in the international financial reporting standards. The consolidation principles of the Savings Banks Group are discussed in more detail in the section "2 Consol-idation principles".

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

Transactions denominated in foreign currencies outside the euro zone are translated into euros using the exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies outstanding on the closing date are translated into euros using the European Central Bank's average rate on the closing date. The exchange rate differences arising from val-uation are recognised as Net income from foreign exchange operations under Net investment income in the income statement. Exchange rate differences arising from life insurance opera-tions are included in Net life insurance income.

The Savings Banks Group's consolidated financial statements are prepared under the historical cost convention, except for financial assets and liabilities measured at fair value through other comprehensive income, financial assets or liabilities measured at fair value through profit or loss, and the hedged items of fair value hedges (hedged risk), which are measured at fair value.

Assets and liabilities are offset with the net amount presented in the consolidated balance sheet only if the Savings Banks Group holds a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously.

2. Consolidation principles

Technical parent company

According to the Act on the Amalgamation of Deposit Banks, the Savings Banks Group's consolidated financial statements must be prepared as a combination of the financial statements or group financial statements of the Savings Banks' Union Coop and its member credit institutions. In addition, the consolidated financial statements include organisations over which the above-mentioned organisations exercise joint control.

The Savings Banks' Union Coop and its member Savings Banks do not exercise control over each other. It is therefore not possible to define a parent company for the Savings Banks Group. The so-called technical parent company referred to in the Savings Banks Group's IFRS financial statements is formed out of 17 member Savings Banks, which jointly exercise control over the other organisations consolidated in the Savings Banks Group's IFRS financial statements. The technical parent company's mutual ownership, intercompany business transactions, mutual receivables and liabilities, internal distribution of profits and intercompany margins are eliminated.

The Savings Banks Group's basic capital consists of the Savings Banks' basic capital and share capital of the Savings Banks in the form of a limited liability company, excluding Nooa Savings Bank Ltd, which is a subsidiary jointly owned by the other member Savings Banks. According to Section 11 of the Savings Banks Act the basic capital is not repaid. The share capital is treated in accordance with the Act of Limited Liability Companies.

Subsidiaries

The Savings Banks Group's subsidiaries are entities over which the Savings Banks Group has control.

The Savings Banks Group has control in an entity if the Savings Banks Group has power over the entity and is exposed to the entity's variable returns or is entitled to its variable returns and the Savings Banks Group is able to use its power over the entity and thereby affect the amount of returns received.

The Savings Banks Group's mutual ownership is eliminated using the acquisition method. An asset used in the acquisition, the assets of the acquired entity and the assumed liabilities are valued at fair value at the time of acquisition. The part of the acquisition cost that exceeds the Savings Banks Group's share of the fair value of the net assets of the acquired company at the time of acquisition is recognised as goodwill. Negative goodwill is fully recognised as income at the time of acquisition.

All intra-group transactions, receivables, liabilities and unrealised profits as well as internal distribution of profits are eliminated when preparing the Savings Banks Group's consolidated financial statements.

The subsidiaries, associated companies and joint ventures acquired during the financial year are consolidated starting on the date when the Savings Banks Group acquired control or joint con-trol. Similarly, the subsidiaries, associated companies and joint ventures which are sold during the financial year are consolidated until the control or significant influence ceases.

The Savings Banks Group has applied the exemption for first-time adopters in IFRS 1 First-time Adoption of International Financial Reporting Standards not to apply IFRS 3 Business Combinations retrospectively to prior business combinations that occurred before 1 January 2013. Subsidiaries acquired since 1 January 2013 are treated in accordance with IFRS 3 Business Combinations.

Structured entities

Structured entities are entities which have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are characterised by having a narrow and well-defined objective and often insufficient equity to finance their activities without subordinated financial support.

Within the Savings Banks Group, the entities identified as structured entities consist of mutual funds which are managed by Sp-Fund Management Company Ltd, a member of the Savings Banks Group, and over which the Savings Banks Group is considered to have the type of control as specified above. The funds to be consolidated on the basis of control are those in which the Savings Banks Group entities' ownership exceeds 40%

as a longer-term investment and which Sp-Fund Management Company Ltd manages. Fund holdings are reviewed twice a year, on 30 June and 31 December. The ownership of companies within the Savings Banks Group must exceed 40% before the fund is consolidated in the Savings Banks Group's financial statements.

For the consolidated funds, the share of investors other than the Savings Banks Group is presented in the Savings Banks Group's financial statements as a liability. Upon initial recognition, the liability has been classified to be measured at fair value through profit or loss.

Associated companies and joint arrangements

Associated companies are entities over which the Savings Banks Group has significant influence but no control. Significant influence emerges, in principle, when the Savings Banks Group holds 20–50 per cent of the company's voting rights or when the Savings Banks Group otherwise has significant influence over the company.

An associated company is consolidated in the Savings Banks Group's financial statements using the equity method, meaning that the associated company's income statement and balance sheet are not included in the Savings Banks Group's income statement and balance sheet in full. The consolidated balance sheet presents the Savings Banks Group's share of the associated company's equity in the item Investments in associates, whereas the Savings Banks Group's share of the associated company's profits is presented in the consolidated income statement under Associate's share of profits. Under the equity method, on initial recognition the investment is recognised at cost, and the carrying amount is increased or decreased to recognise the Savings banks Group's share of the profit or loss of the investee after the date of acquisition.

Joint arrangements are arrangements where two or more parties have joint control. Joint arrangements are divided into joint ventures and joint operations. Joint ventures are consolidated in the Savings Banks Group's financial statements using the equity method. Mutual real estate companies are consolidated in the Savings Banks Group's financial statements as joint operations, and their assets and liabilities are consolidated in the Savings Banks Group's balance sheet in accordance with the share of ownership.

Non-controlling interests

Non-controlling interests in equity, profit for the year and other items within the comprehensive income statement are presented separately in the Savings Banks Group's income statement, comprehensive income statement and balance sheet. Loss for the year is also allocated to non-controlling interests even if doing so would result in a negative non-controlling interest.

The share of non-controlling interests in subsidiaries is valued either at fair value or at proportionate share of the subsidiary's net assets. The valuation principle is defined separately for each acquisition.

3. Financial instruments

3.1 Financial assets and liabilities

The Savings Banks Group applies IFRS 9 Financial instruments standard on recognition and measurement of financial instruments. For fair value hedges of the interest rate risk of a portfolio of financial assets or financial liabilities ("macro hedges") the Savings Banks Group continues application of IAS 39 Financial instruments: recognition and measurement standard.

Classification in the Savings Banks Group's balance sheet is independent of the IFRS 9 categories. Different valuation bases can therefore be applied to assets and liabilities recognised on the same line in the balance sheet. The classification of financial assets and liabilities recognised in the balance sheet into valuation categories is set out in Note 18.

Overlay approach

The equity instruments and fund investments associated with Sb Life Insurance's investment activities are classified as financial assets measured at fair value through profit or loss. For a significant portion of these instruments, the Savings Banks Group applies a temporary exemption permitted by IFRS 4, which restores the earnings effect of the instruments to be in accordance with IAS 39. This temporary exemption is referred to as the overlay approach.

The financial assets within the scope of the overlay approach are measured in the balance sheet at fair value and changes in their value are reported in equity, in the fair value reserve belonging to other comprehensive income. Changes in the fair value are recognised in the income statement when the asset is derecognised or when there is objective evidence of impairment. For equity instruments, a significant or long-term decrease of its fair value below its acquisition cost is considered objective evidence. If the fair value of an impaired equity instrument later increases, this increase is recognised in other comprehensive income.

The overlay approach aims to reconcile temporary earnings volatility resulting from the different dates of entry into effect of IFRS 9 and IFRS 17 when investments are measured at fair value through profit or loss in accordance with IFRS 9 but the related insurance liability cannot yet be measured at fair value through profit or loss in accordance with IFRS 17. The application of the overlay approach will end at the latest on 1 January 2023 when the IFRS 17 Insurance Contracts standard enters into effect.

3.1.1 Initial recognition

A financial asset or liability is recognised on the balance sheet when the Savings Banks Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of a financial asset is recognised and derecognised using trade date accounting.

Financial assets and liabilities are initially measured at fair value, and in the case of a financial asset or a financial liability not measured at fair value through profit or loss, plus or minus the transaction costs that are directly attributable to the acquisition or issue of that financial asset or financial liability. On subsequent periods transaction costs are recognised through profit or loss as an interest income or expense as a part of the effective interest rate of the financial asset or liability.

3.1.2 Classification of financial assets and the determination of classification

For the purposes of subsequent measurement, the Savings Banks Group classifies financial assets into following measurement categories:

- Amortised cost
- Fair value through other comprehensive income (fair value reserve)
- Fair value through profit or loss.

Financial assets are classified on initial recognition based on the business model used for managing the group of financial assets in which the financial assets is held and characteristics of the cash flows of the instrument, specifically, whether the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

BUSINESS MODEL ASSESSMENT

The business model refers to how the Savings Banks Group manages its financial assets in order to generate cash flows. That is, the business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If cash flows are realised in a way that is different from the entity's expectations on the date that the entity assessed the business model, that does not give rise to a prior period error in the entity's financial statements nor does it change the classification of the remaining financial assets held in that business model.

ASSESSMENT OF CASH FLOW CHARACTERISTICS

Cash flow characteristics means the characteristics of the contractual cash flows of the financial asset. When assessing cash flow characteristics, it is determined whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, for example, interest only consists of consideration for the time value of money, credit risk and other basic lending risks. If the terms of the contract include factors that cannot be considered typical terms for lending, the financial asset is classified as measured at fair value through profit or loss.

AMORTISED COST

A financial asset is measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of interest and payments of principal

Debt instruments are measured at fair value and changes in value, less deferred taxes and expected credit loss, are recognised in the statement of comprehensive income.

For debt instruments, the gain or loss on the transfer or sale of a financial asset measured at fair value through other comprehensive income is recognised through profit or loss.

On initial recognition the Savings Banks Group may make an irrevocable choice to present the subsequent fair value changes of an equity instrument in other comprehensive income. This election is made on instrument basis. These financial assets are measured at fair value and the change in value is recognised, less deferred taxes, in the statement of other comprehensive income. Dividends from equity instruments are recognised in profit or loss when the right to receive payment is established. Capital repayments from the share are recognised in the statement of other comprehensive income.

For equity instruments, unrealised gains or losses accrued in the fair value reserve are not transferred to be recognised through profit or loss at any stage. Instead, the recognition is made through retained earnings within equity.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

All items that are not measured at amortised cost or recognised at fair value through other comprehensive income are recognised at fair value through profit or loss. However, a financial asset may, at initial recognition, be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Also classified as measured at fair value through profit or loss are investments in debt instruments for which the cash flow criteria cannot be considered to be met. The Savings Banks Group assesses the cash flow criteria separately for each instrument to determine whether the contractual terms of the item give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS

Investments in debt instruments are reclassified only when the Savings Banks Group changes the business models applied in the management of financial assets. The Savings Banks Group expects such changes to be highly infrequent and it has not reclassified any financial assets during the financial period 2019.

CHANGES IN CONTRACTUAL CASH FLOWS

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Savings Banks' Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss.

3.1.3 Derecognition of financial assets and liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred, and the transfer qualifies for derecognition.

A financial asset is considered to be transferred if, and only if, the Savings Banks' Group either:

- transfers the contractual rights to receive the cash flows of the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions stipulated by IFRS 9. A contract can be considered to meet the conditions for such an arrangement if:
  - There is no obligation to pay amounts to the eventual recipients unless equivalent amounts are collected from the original asset
  - The selling or pledging of the original asset is prohibited by the terms of the transfer contract

When transferring a financial asset, the transfer qualifies for derecognition only if:

- The significant risks and rewards of ownership are transferred; or
- The significant risks and rewards of ownership are not transferred, or they have been retained, but control has been transferred.

A financial liability is derecognised from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

3.2. Determining fair value

Fair value is the price that would be attained if the asset was sold or would be paid to transfer the liability from one market party to another in a standard business transaction taking place on a valuation day.

A financial instrument's fair value is based on price quotations obtained from active markets or, if active markets do not exist, on the company's own valuation methods. A market is considered active if price quotations are readily and regularly available and if they reflect real and regularly occurring arm's-length market transactions. Current bid price is used as the quoted market price of financial assets. If the market has a well-established valuation technique for a financial instrument for which there is no direct market price available, the fair value is based on the commonly used valuation model and on the market quotations of the input data used in the model.

If there is no well-established valuation technique in the market, the fair value is determined based on a specific valuation model created for the product in question. The valuation models are based on widely used measuring techniques, incorporating all the factors that market participants would consider when setting a price. The valuation prices used include market transaction prices, the discounted cash flow method, as well as the fair value of another substantially similar instrument at the reporting date. The valuation methods take into account an estimate of credit risk, applicable discount rates, early repayment option, and other such factors that may impact reliable determination of the fair value of the financial instrument.

The fair values of financial instruments are divided into three hierarchical levels, depending on how the fair value is defined:

- Fair values quoted in active markets for identical assets or liabilities (Level 1)
- Fair values that are determined using other input data than the quoted prices at Level 1, which are observable for the assets or liabilities either directly (e.g. prices) or indirectly (e.g. derived from prices) (Level 2)
- Fair values that are determined using input data which is essentially not based on observable market data (Level 3).

The fair value hierarchy level into which an item measured at fair value is fully classified is determined by the input data which is at the lowest level and is significant in respect of the whole item. The significance of input data is evaluated considering the whole item which is valued at fair value.

3.3. Impairment

3.3.1 Expected credit losses

The Savings Banks Group determines impairments for financial assets based on an expected credit loss model. The loss allowance for expected credit loss is measured and recognized for financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, debt instruments, loan receivables, guarantees and loan commitments.

For the purpose of measuring expected credit losses, the Group applies a three-stage model in which the stage to be applied in the measurement is determined on the basis of the change in the credit risk of the financial asset between the date of initial recognition and the reporting date as follows:

- Stage 1 includes financial assets for which the credit risk has not increased significantly between the date of initial recognition and the reporting date. The measurement of the expected credit loss for stage 1 financial assets is based on the likelihood of the credit loss being incurred within 12 months of the reporting date.
- Stage 2 includes financial assets for which the credit risk has increased significantly after the date of initial recognition. The measurement of the expected credit loss for stage 2 financial assets is based on the likelihood of the credit loss being incurred within the remaining life of the financial asset.
- Stage 3 includes financial assets that are assessed to be impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the likelihood of the credit loss being incurred within the remaining life of the financial asset.

The assessment of potential changes in credit risk between the date of initial recognition and the reporting date takes into consideration all relevant and available information that can be obtained without unreasonable effort and cost. In assessing the significance of change in credit risk, the Savings Banks Group takes into account the following qualitative and quantitative data, amongst others:

- Payment past due: the credit risk associated with a financial asset is assessed to have grown significantly and the contract is migrated from stage 1 to stage 2 when payments are more than 30 days past due. When payments are more than 90 days past due, the financial asset is deemed to be impaired and is migrated from stage 2 to stage 3.
- Forbearance: if the receivable is non-performing, the forbearance concession is interpreted as a significant increase in credit risk and the receivable is migrated from stage 1 to stage 2. If forbearance is applied to a contract that is non-performing, or if a forbearance concession is made for a contract at the time of application, the contract is deemed to be impaired and is migrated to stage 3.
- Default: If a customer is found to be in default, the financial asset is deemed to be impaired and is migrated to stage 3.

A customer is classified as being in default when it is likely that the customer cannot meet their credit obligations under the agreed terms in full without the Savings Banks Group taking action, such as realising the collateral or, at the latest, when payments are more than 90 days past due. In ECL calculation, the Group applies the same definition of default that it applies in its lending rules.

A financial asset can be restored from stage 2 or 3 when its credit risk has improved significantly, and it has fulfilled the criteria for the previous stage continuously for a pre-determined assessment period defined for its migration. For migrating from stage 2 to stage 1, the duration of the assessment period is three months. For migrating from stage 3 to stage 2, the duration of the assessment period is 12 months.

As a rule, the Savings Banks Group's assessment of expected credit loss is based on the PD*LGD*EAD model, the components of which are Probability of Default, Loss Given Default and Exposure at Default. For low-risk counterparties – including the public sector, financial institutions and state-guaranteed student loans – the calculation is based on the Loss Rate model (Loss Rate*LGD*EAD). The calculations are carried out separately for each contract and based on the following parameters:

- PD% (only the PD/LGD model): probability of default based on external and internal credit ratings.
- Loss Rate% (only the Loss Rate model): a percentage figure established for each counterparty based on their sector code.
- LGD %: estimated loss at the time of default, takes into consideration the contract's available collateral.
- EAD: exposure at default is the annual average and takes into consideration instalments and advance repayments, calculated for the term of the contract and for the year, for products for which it has been modelled. Off-balance sheet items are considered to remain fixed until the end of the lifecycle of the contract. The undrawn commitment component is included in the calculation in full.

The calculation takes the time value of money into consideration by discounting the expected credit loss calculated for the contract. The effective interest rate is the contractual interest rate and it is calculated on the gross carrying amount in stages 1 and 2 and on the adjusted carrying amount in stage 3 on the reporting date.

The calculation of expected credit loss 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 are the base scenario, a mild downside, a more extreme downside and an optimistic scenario. The scenarios are the same as those used in the Savings Banks Group's financial planning. The weights assigned to the scenarios in ECL calculation are based on the management's view of their probability. The macroeconomic forecasts cover a period of five years and they incorporate the following macroeconomic factors, for example: GDP growth, investment growth, unemployment rate, inflation, 3-month and 6-month Euribor interest rates and the housing price index.

The loss allowance for expected credit loss on a loan is recognised on the balance sheet in a separate account. For loan commitments and financial guarantee contracts, the loss allowance is recognised on the balance sheet as a provision. For debt securities recognised at fair value through other comprehensive income, expected credit loss is recognised as an adjustment to the fair value reserve. Changes in expected credit losses recognised on the balance sheet are presented in the income statement item Impairment losses on financial assets.

Impairment of debt securities

The Savings Banks Group assesses the expected credit losses of debt securities per purchasing lot by using the PD*LGD*EAD model, the components of which are Probability of Default, Loss Given Default and Exposure at Default.

The probability of default (PD) is based on credit ratings provided by Bloomberg and, if they are not available, external credit rating information, which is converted into PD values. The LGD values used in the assessment correspond to analysed historical actuals by investment type and are not assessed separately per issuer or investment.

A significant increase in the credit risk of debt securities is assessed with qualitative and quantitative criteria. A contract's credit risk is assessed to have grown significantly when its PD increases either by 10 basis points or 2.5 times its original value, it is subject to forbearance or it involves payments that are more than 30 days past due. Investments related to an issuer in default are classified in stage 3.

3.3.2 Incurred credit losses

Non-recoverable loans and receivables are recorded as a permanent credit loss when the normal collection process is completed, and the final amount of the individual loan or receivable can be measured. Credit losses that are deemed permanent are derecognised as a counterpart to the income statement item Impairment losses on financial assets. Any payments received after derecognition are recognised as adjustments to the income statement item Impairment losses on financial assets.

3.4. Hedging and derivatives

The Savings Banks Group uses derivative contracts to hedge its interest rate risk from changes in fair value and cash flow and applies hedge accounting to hedging relationships. Fixed-rate borrowing is hedged for fair value changes, whereas the future interest of variable rate lending is hedged for cash flow changes. The aim of hedging is to stabilise net interest income and to neutralise potential change in the fair value of assets and liabilities.

For hedging relationships under general hedge accounting (cash flow hedging and fair value hedging), the Savings Banks Group has adopted IFRS 9, while for macro hedging, the Savings Banks Group will continue to apply IAS 39 "carve out"-regulation until the macro hedging supplement enters into effect.

Derivative contracts are measured at fair value. The fair value of derivatives that hedge fair value is recognised in the balance sheet as a derivative receivable or liability and the change in fair value is recognised in the income statement under "Net investment income". When hedging fair value, the hedged item is also measured at fair value during hedging even if it would otherwise be measured at amortised cost. A change in the hedged item's fair value is recognised as an adjustment to the balance sheet item in question and in the income statement under "Net investment income". Interest on hedging derivatives is presented as interest income and expense depending on their nature.

The effective portion of the fair value changes of derivatives hedging cash flow is recognised in the fair value reserve in equity, adjusted with deferred taxes. The ineffective portion of fair value change is recognised in the income statement under "Net investment income". The cumulative change in the fair value reserve resulting from valuation of a hedging derivative is recognised in profit or loss as an adjustment of the hedged cash flow simultaneously with recognising the hedged cash flow. Interest on hedging derivatives is presented as interest income and expense depending on their nature.

When hedge accounting begins, the hedging relationship between the hedged item and the hedging derivative is documented, along with the risk management objectives and the strategy for initiating hedging. The effectiveness of the hedging relationship is assessed regularly and always on reporting dates.

4. Leases

Savings Banks Group as the lessee

At the inception of a contract and when the terms and conditions of a contract are changed, Savings Banks Group assesses whether the contract contains a lease. This assessment is carried out for each lease component within the contract. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control if:

- The contract pertains to an identified and separate asset.
- The contract conveys the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use.
- The contract conveys the right to direct the use and purpose of the identified asset.

At the commencement date of a lease, the lease liability is equal to the present value of the lease payments payable during the lease term. The leases consist of fixed payments and variable lease payments, which depend on an index. Lease liabilities are subsequently measured at amortised cost using the effective interest method. Lease liabilities are reassessed if the future considerations change as a result of a contractual change in an index or price, if the lease term or amount of residual value guarantee changes, or if a purchase option is exercised. If the amount of the lease liability is adjusted due to the reassessment, a corresponding adjustment is made to the right-of-use asset.

The lease term begins at the commencement date specified in the lease. The end of the lease term is determined by the lease. The lease term is reassessed if an option to extend the lease is exercised differently than initially assessed. If the lease term is indefinite, the end of the lease term is considered to be the earliest possible date of termination specified in the lease. The exception to this rule is properties for which the location determines the end of the lease term. In Savings Banks Group's strategy, for leased properties located in growth centres or significant regional centres, the lease term is three years. For properties in other locations, the lease term is one year. The discount rate used is the interest rate at which the Central Bank of Savings Banks provides financing to Savings Banks Group banks.

The value of a right-of-use asset at the commencement date is the lease liability plus payments made to the lessor at or before the commencement date, estimated restoration costs at the end of the lease term and initial direct costs. A right-of-use asset is subsequently measured at cost and amortised according to the lease term.

Savings Banks Group recognises leases as a right-of-use asset under "Right-of-use assets" and a liability under "Provisions and other liabilities".

Savings Banks Group's leases can be categorised by the following underlying assets:

- Machinery and equipment
- Real estate and apartments
- Information systems
- Others

Short-term leases and assets of low value

IFRS 16 contains two exemptions concerning recognition and measurement. Savings Banks Group has decided that leases with a term of 12 months or less and assets whose value does not exceed EUR 5,000 are not recognised as right-of-use assets and no lease liabilities are recognised for them. Savings Banks Group expenses such short-term leases and assets of low value during the lease term.

Savings Banks Group as the lessor

Savings Banks Group does not act as a lessor in finance leases. Items leased under an operating lease are presented under "Investment assets" (investment properties) or "Intangible assets" and the lease income is recognised on a straight line basis over the lease term under the income statement item "Net income from investment assets" or "Other operating revenue". In Savings Banks Group, assets leased under an operating lease include residential properties owned by a bank.

5. Employee benefits

Employee benefits include short-term employee benefits, termination benefits, post-employment benefits and other long-term employee benefits. IAS 19 Employee Benefits determines the accounting treatment of employee benefits.

Short-term employee benefits include e.g. wages, salaries and benefits, annual leave, bonuses, extra insurances and loans granted with an interest rate lower than the market rate. Short-term employee benefits are expected to be paid in full within 12 months after the end of the financial year during which employees perform the work concerned.

Termination benefits are based on the termination of employment, not on the work performed. These benefits consist of redundancy benefits.

Post-employment benefits are paid after the termination of employment. They consist of pensions or other benefits payable after the termination of employment, such as life insurance or health care. Pension plans relating to post-employment benefits are classified as defined benefit plans or defined contribution plans.

For defined contribution plans, the Savings Banks Group pays fixed pension contributions to pension insurance companies. The Savings Banks Group has no legal or actual obligation to make additional payments in case the pension insurance company is not able to make the benefit payments. The most significant contribution-based plan is the basic employee insurance (TyEL) subject to the Pensions Act. Independent pension insurance companies are responsible for this pension scheme within the Savings Banks Group.

The Savings Banks Group also has defined benefit plans, for which the Savings Banks Group still has obligations after making the payments for the financial period. For benefit-based pension plans, the present value of obligations arising from the plan at the reporting date less the fair value of plan assets is presented as a liability.

The Savings Banks Group uses a professionally qualified actuary to determine the essential obligations arising from post-employment benefits. The calculation is performed using the projected unit credit method. When calculating the present value of the pension obligation, the discount rate is determined on the basis of the market return on high-quality corporate bonds at the reporting date.

Other long-term employee benefits are based on long-term employment. Such benefits include e.g. paid vacation and bonuses or gifts, which are granted on the basis of accumulated years of service.

6. Life insurance assets and liabilities

Classifying insurance policies into insurance and investment contracts

Life insurance policies granted by the Savings Banks Group are classified as either insurance contracts or investment contracts. Insurance policies classified as insurance contracts include those with a significant insurance risk or where the policyholder has the right or the opportunity to amend the agreement in such a way that he becomes entitled to a discretionary share of the company's surplus. Purely unit-linked insurance policies which do not have a significant insurance risk are classified as investment contracts.

The Savings Banks Group's insurance contracts are treated in the Savings Banks Group's financial statements in accordance with IFRS 4 Insurance Contracts. Policies classified as investment contracts (asset management policy), on the other hand, are treated in accordance with IAS 39. Reinsurance contracts are treated in accordance with IFRS 4 as insurance contracts.

Liabilities for insurance and investment contracts

Insurance liabilities are recognised in accordance with the Finnish Accounting. The actuarial basis of calculation used when determining insurance contract liability complies with the requirements of national regulations. The basis includes assumptions about biometric factors, operating costs and the interest rate.

Insurance contract liability for unearned premiums and the liability for outstanding pensions are defined based on insurance savings, which consist of premiums paid, credits, debits and value changes, supplementing it with future interest and operating expense. The discount rate for insurances entitling the policyholder to discretionary benefits is at maximum 0.5 per cent. The average discount rate is 0.1 per cent.

Outstanding claims provisions other than the liability for outstanding pensions are short-term liabilities which consist of reported but not settled claims and incurred but not reported claims. Liability for the reported but not settled claims is valued at nominal value, whereas liability for incurred but not reported claims is calculated on an actuarial basis.

Reinsurance-related receivables and liabilities are measured similarly to the cedant's liabilities and assets. Should the company have any due receivables, these receivables would incur impairment in profit or loss.

Liability arising from investment contracts is measured in accordance with the market value of the assets related to the investment contracts.

Adequacy test of liabilities for insurance policies

According to IFRS 4, an insurer shall assess at each reporting date whether the recognized insurance liabilities are adequate, using current estimate of future cash flows from insurance contracts. Liability adequacy test is performed on the insurance contracts of the Savings Banks Group, which are valued according to IFRS 4. In the liability adequacy test, the liability book value based on the national principles for insurance contracts is compared with the present value of all of the cash flows related to the insurance contracts including a risk margin. If the liability adequacy test shows that the liability calculated based on the Finnish accounting principles is, as a whole, less than the market value of liability, then an add-on equal to the difference between the two liabilities is added to the liability of the Savings Banks Group.

The life insurance business' equity principle

The objective of the Savings Banks Group's life insurance business is in the long term to provide the insurance savings with discretionary benefits a total benefit (before charges and taxes) equivalent to the level of return on the Finnish government's long-term bond yields. For savings insurance policies, the target is to achieve a level of return equivalent to that of 5-year bonds, whereas for pension insurances the target level for return equals 10-year bonds. The total benefit of an investment policy refers to the technical or annual interest of the insurance contract and to the additional interest credited to the contract.

7. Intangible assets

An intangible asset is an identifiable asset that has no physical substance. The intangible assets of the Savings Banks Group include e.g. computer softwares and software licenses.

An intangible asset is recognised in the balance sheet only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Savings Banks Group and the acquisition cost of the asset can be measured reliably. The future economic benefits may include sales revenue on services or goods, cost savings or other benefits resulting from the Savings Banks Group utilising the asset.

Intangible assets are initially measured at cost. The cost comprises the purchase price, including all costs that are directly attributable to preparing the asset for its intended use. The acquisition cost does not include the costs of using the asset, staff training expenses or administration and other general overhead costs.

After initial recognition, an intangible asset is recognised at its cost less accumulated amortisation and impairment. Intangible assets are amortised on a straight-line basis over the cause of their known or estimated useful lives. The useful life of intangible assets is reviewed annually.

Amortisation begins when the asset is available for use. An intangible asset that is not yet available for use is tested for impairment annually.

Estimated useful lives are mainly as follows:

Information systems purchased from a third party	3-5 years
Basic systems	5-10 years
Other intangible assets t	2-5 years

Intangible assets are recognised in the item Intangible Assets in the balance sheet. Amortisation and impairment losses are recognised in the income statement under Depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

8. Property, plant and equipment and investment property

The Savings Banks Group's property, plant and equipment include e.g. owner-occupied property as well as machinery and equipment. In addition, the Savings Banks Group has investment properties which produce rental income.

The Savings Banks Group's properties are divided according to the purpose of use into owner-occupied properties and investment properties. The purpose of investment property is to produce rental income or capital appreciation. Some of the properties are used partly as an investment and partly in own or personnel use. If these parts could be sold separately, the Savings Banks Group accounts for them separately according to the purpose of use. If the parts cannot be sold separately, the property is treated as an investment property only if an insignificant part of the property is used by the Savings Banks Group or the personnel. The division is done in proportion to the square meters used for different purposes.

Property, plant and equipment are recognised under the item Property, plant and equipment and investment property under the item Investment assets in the balance sheet. Investment property relating to life insurance business is recognised under Life Insurance assets in the balance sheet.

In the income statement, income related to owner-occupied property is recognized under Other operating income and related cost under Operating expenses. Amortisation and impairment losses are recognised in the income statement under Depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

In the income statement, net income from investment property, including amortisation and impairment on investment property, is included in "Net investment income" and that related to life insurance under "Net life insurance income".

Property, plant and equipment and investment property are measured at cost less depreciation and impairment. The acquisition cost includes all costs that are directly attributable to the acquisition of the asset. Assets are depreciated on a straight-line basis over the cause of their estimated useful lives. Land is not depreciated. Costs generated after the original acquisition are capitalised in the carrying amount of the asset only when it is probable that the asset will generate greater economic benefits than was initially estimated.

Estimated useful lives are in mainly as follows:

Buildings	10-50 years
Technical equipment in buildings	3-8 years
Renovations in rented premises	3-10 years
Machinery and equipment	3-10 years

The residual values and useful lives of the assets are reviewed at each reporting date and adjusted to reflect expected changes in economic benefit, if necessary.

Gains and losses resulting from decommissioning and disposal of Property, plant and equipment are presented under other operating income and expenses in profit or loss. Gains and losses generated by investment property are presented under net investment income. Capital gain or loss is determined by the difference between the selling price and the remaining acquisition cost.

9. Provisions and contingent liabilities

Provisions are recognised when the Savings Banks Group has a legal or constructive obligation as a result of a past event and it is probable that the obligation will be settled, and the management can reliably estimate the amount of the obligation. Where part of the obligation is expected to be reimbursed by another party, the reimbursement shall be recognised as a separate asset when it is virtually certain that reimbursement will be received. Provisions are reviewed at each reporting date and adjusted if necessary. Provisions are measured at the present value of the amount that is expected to meet the obligation.

If the above obligation exists but the requirements for recognition are not fulfilled, the obligation is a contingent liability. Contingent liabilities are not recognised in the balance sheet; instead, it is presented in the notes to the financial statements. A contingent liability shall also be assessed separately at each reporting date.

10. Taxes

The Savings Banks Group's income taxes include the current tax of the member companies, adjustments to previous years' taxes and changes in deferred tax balances. Taxes are recognised in profit or loss, except when they are directly related to equity or other comprehensive income. In that case, also the tax is recognised in those items.

Deferred taxes are calculated based on taxable temporary differences between accounting and taxation. Deferred tax assets and liabilities are offset for each company. Deferred tax assets and liabilities arising from consolidation are not offset. Deferred tax is measured in accordance with IAS 12 based on the effective tax rates at the reporting date which are applicable when the deferred tax is expected to be converted to income tax. A change in deferred tax resulting from a change in tax rates is recognised in the income statement or in other comprehensive income if the tax was recognised there in previous financial periods.

Tax assets arising from confirmed unused tax losses are recognised if it is probable that future taxable profit will be available, and the assets can be utilised.

11. Revenue recognition

Interest income and expense

Interest income and expense are accrued over maturity using the effective interest rate method. Using this method, the income and expenses arising from an instrument are accrued in relation to the residual receivable and liability in the balance sheet until maturity. Interest income and expense related to life insurance financial assets are recognised under "Net income from life insurance" in the income statement.

When a financial asset is impaired, the original effective interest rate is used when calculating interest income. Interest is calculated for the loan balance less impairment.

Fee and commission income

Fee and commission income are generally recognised on an accrual basis. Fees and commissions for performing an operation or service are recognised as income when the operation or service is completed. Fees and commissions accruing over several years are recognised for the amount attributable to the current financial year. Fees and commissions that are considered an integral part of the effective interest of a financial instrument are recognized as an adjustment to the effective interest. However, fees and commissions for financial instruments measured at fair value through profit or loss are recognised as income at the time of the initial recognition of the instrument.

Net investment income

Net investment income includes net income from financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income (capital gains and losses, expected credit losses and dividend income) and net income from investment property (rental and dividend income, capital gains and losses, maintenance charges and expenses, depreciation and amortization and rental expenses). In addition, this item includes net income from foreign exchange operations and net income from fair value hedge accounting.

Net life insurance income

Net life insurance income includes premiums written, net investment income for life insurance, including e.g. net income from investment property, interest income and expense, as well as dividend income. Furthermore, claims incurred and changes in insurance contract liabilities are recognised in this item.

Other operating revenue

Other operating revenue includes rental and dividend income as well as capital gains from owner-occupied property and other operating income.

12. Adoption of new IFRS standards and interpretations

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 January 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment 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 definition 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 financial 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 concessions 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.

13. 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.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 * (to be applied from 1 January 2021)

Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements. The changes in the standards will have no significant impact on Savings Banks Group's consolidated financial statement.

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 standards:

- 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 financial 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.

The changes 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 January 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.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES 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 estimates at the reporting date, and they relate in particular to determining fair value, impairment of financial assets, life insurance liabilities, assumptions used in actuarial calculations, 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.

Determining fair value

The management must consider whether an individual financial instrument is actively traded and whether the market price obtained is a reliable indication of the financial instrument's fair value. In addition, the management must assess the criteria for determining when the market for financial instruments is not active. The management's judgment is also required when a financial instrument's fair value is determined using valuation techniques. If observable input data is not available in the market for the basis of the valuation models used, the management must assess what other input data is used when calculating fair value. Determination fair value is discussed in more detail in section "Determining fair value in the accounting policies".

Impairment of non-financial assets

At each reporting date, the Savings Bank Group assesses whether there is evidence of impairment of incomplete assets. Impairment testing is also carried out whenever there is any indication of impairment. Assessment of impairment of incomplete intangible assets requires the management's judgment.

During the financial year, a total of EUR 2.2 million in impairment losses was recognised on intangible assets not yet available for use based on the management's estimate of the future recoverable amount of the asset not yet available for use.

The COVID-19 pandemic has not been observed to have a significant impact on the future recoverable value of assets not yet available for use, and there are no known indications of asset impairment related to the COVID-19 pandemic.

Actuarial calculations

Liabilities arising from insurance contracts involve several discretionary factors and estimates, such as assumptions about future interest rates, mortality, and probability of disability and future cost levels. The principles used to calculate life insurance liabilities are described in more detail in section Liabilities for insurance and investment contracts in the accounting policies.

Deferred tax assets

Deferred tax assets arising from tax losses are recognised to the extent that they are expected to be offset against future taxable profits. Recognition of deferred tax assets requires the management to assess the probability and amount of future taxable profit of companies with unused tax losses.

Present value of pension obligation

The present value of pension obligation is based on actuarial calculations, which include a number of discretionary assumptions related to e.g. discount rate, future increases in salaries, wages and pension, as well as inflation. Changes in actuarial assumptions affect the carrying amount of pension obligations.

RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT POLICIES OF THE GROUP

NOTE 4: CORPORATE GOVERNANCE POLICIES

Savings Banks' Union Coop General Meeting

The highest decision-making authority in the Savings Banks' Union Coop (hereinafter the "Central Institution") belongs to the members participating in the general meeting. The general meeting confirms, among other things, the supervision fees collected from the members of the Savings Banks Group and the principles behind the fees, based on the proposal of the Board of Directors.

Supervisory Board

The general meeting elects the members of the Supervisory Board and their personal deputies for the term extending until the next ordinary general meeting. The Supervisory Board consists of 9-35 members.

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 Kvevlax 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.

The Supervisory Board is responsible for monitoring the governance of the Central Institution by the Board of Directors and the Managing Director making sure that the operations are managed with sound and pro-fessional manners, pursuant to the Cooperatives Act, and in the interest of the Central Institution and the Savings Banks Group. The Supervisory Board confirms, based on the proposal of the board of directors, the principles of the Savings Banks Group, the strategy, the principles for capital adequacy management and other common objectives and policies.

The Supervisory Board has confirmed its rules of procedure, which define the duties and meeting practices of the Supervisory Board.

Board of Directors

The general meeting elects the members of the Board of Directors for the term extending until the next ordinary general meeting.

According to the Central Institution rules, the Board of Directors consists of six to nine members. The annual general meeting selects the members for the term of one year. The Chairman and the deputy Chairman are appointed in the organising meeting of the Board of Directors.

The Board of Directors consists largely of the savings banks' professional directors or members of the board of directors of savings banks. The assembly of the members secures the presentation of the Swedish speaking banks and different sizes of the banks in The Board of Directors. It also reflects the amount of member banks' liability in the amalgamation and the members' will and capability to improve single banks as the whole amalgamation's competitiveness.

The Board of Directors must comply with the regulation set by the Act of the Credit institution, ECB Banking Supervision and Finnish Financial Supervisory Authority regarding the competence and independence requirements for the Central Institution. Each member of the Board of Directors must present enough accurate information, so that his or her competence and independence can be justified. The principles concerning diversity have been taken into consideration in the composition of the Board of Directors. Each member of the Board is expected to have enough time to work for the Central Institution. The Board of Directors within the Saving Banks Group are accounted to be one membership.

The principles concerning diversity have been taken into consideration in the composition of the Board of Directors, which have been approved 18.3.2015. The objective is to ensure the competence and diversity of the Board of Directors required by a sound corporate culture, to preserve the value through effective monitoring of business operations and to increase the value with insight and strategic thinking. The nomination committee assess regularly the composition of the Board of Directors and give recommendation for the possible changes. The Board of Directors assess regularly through the self-assessment the members of the Board and their competence. The share of female board members was 33 per cent in 2020.

By the decision of the Savings Banks' Union Coop General meeting at 11.3.2020, the members of the Board of Directors were Mrs. Pirkko Ahonen (chairman), Mr. Jari Oivo (vice-chairman), , Mrs. Tuula Heikkinen, Mr. Ari Jutila, Mr. Eero Laesterä, Mr. Jaakko Ossa, Mr. Heikki Paasonen, Mr. Ulf Sjöblom and Mrs. Katarina Segerståhl. The Directors are CEOs or members of the board of directors of the Savings Banks, except Mrs. Tuula Heikkinen, Mr. Eero Laesterä and Mrs. Katarina Segerståhl, who are the independent members of the Board of Directors.

The Board of Directors is responsible for leading the operations of the Central Institution in accordance with the provisions of the Cooperatives Act, the Act on the Amalgamation of Deposit Banks as well as the rules of the Central Institution. The Board of Directors is also responsible for guiding the operations of the Amalgamation, formulating a strategy for the Savings Banks Group and developing intra-group collaboration.

The Board of Directors has confirmed its rules of procedure, which define the duties and meeting practices of the Board of Directors.

Committees

The Supervisory Board has appointed Nomination Committee and Remuneration Committee, and the Board of Directors has elected Audit Committee and Risk Committee. The Supervisory Board and the Board of Directors have approved the rules of procedure for the committees they each have appointed.

The task of the Nomination Committee is to prepare a recommendation regarding the members of the governing bodies of the Central Institution and the Savings Banks' service companies, along with their remuneration.

The Remuneration Committee prepares recommendations to the Supervisory Board concerning the remuneration policies and systems of the Managing Directors and the members of the executive management reporting directly to Managing Directors in member credit institutions of the Savings Banks Amalgamation and other member organisations of the Amalgamation. The Committee also prepares a document on the amalgamation-level remuneration principles for approval by the Supervisory Board.

The task of the Audit Committee is to assist the Board of Directors of the Central Institution in ensuring that the Central Institution, the Amalgamation and the Savings Banks Group apply a comprehensive and appropriately organised accounting, accounting practices and financial reporting. The Committee also supports the Board of Directors in ensuring that the Amalgamation and the Savings Banks Group, to the extent necessary, possess adequate and appropriately organised internal controls, internal audit systems and audit procedures. It furthermore makes sure that the operations and internal controls of the member organisations are organised as required by law, regulations and good management and governance practices; it also supervises the internal control operations.

The task of the Risk Committee is to assist the Board of Directors of the Central Institution in matters concerning risk strategies and risk-taking and to monitor that the Amalgamation complies with the risk strategies as approved by the Board of Directors of the Central Institution. The Risk Committee monitors and ensures the efficiency and adequacy of the capital adequacy management process within the Amalgamation and evaluates the adequacy of the policies, controls and processes related to these risks. The Committee assists the Remunaration Committee in creating adequate compensation systems.

In addition, the Board of Directors of the Central Institution has appointed an Asset and Liability committee to assist the Risk Committee in its area of responsibilities and to plan and co-ordinate the funding of the Amalgamation together with the Central Bank of Savings Bank Finland's Treasury.

Managing Director

The Board of Directors elects the Central Institution's Managing Director and his/her deputy. The Managing Director's tasks include the day-to-day management of the Central Institution according to the provisions of the Cooperatives Act, implementing the Savings Banks Group's strategy in line with the Board's guidelines and provisions, preparing issues for presentation to the Board of Directors and assisting the Board of Directors in the preparation of issues to be taken up by the Supervisory Board and the general meeting.

The Managing Director of the Central Institution is Mr. Tomi Närhinen and his deputy from 4 January 2021 is Mr. Karri Alameri.

Audit

The Central Institution has one auditor, which must be an audit firm approved by the Finnish Central Chamber of Commerce. This auditor also audits the combined financial statements as defined in the Amalgamation Act.

The auditor is appointed by the general meeting. The auditor's term of office ends at the conclusion of the regular cooperative meeting following the appointment.

The auditor responsible for the Savings Banks Group's Central Institution is the audit firm KPMG Oy Ab. The firm has appointed Mr. Petri Kettunen, APA, as the auditor in charge.

LEGAL STRUCTURE OF THE SAVINGS BANKS AMALGAMATION AND SAVINGS BANKS GROUP

The Savings Banks Amalgamation and Savings Banks Group have been described in more detail in note 1 to the financial statements.

Members of the Savings Banks' Union Coop

As of 31 December 2020, the Savings Banks' Union Coop members were:

Aito Säästöpankki Oy
Avain Säästöpankki
Ekenäs Sparbank Ab
Eurajoen Säästöpankki
Helmi Säästöpankki Oy
Kvevlax Sparbank
Lammin Säästöpankki
Liedon Säästöpankki
Länsi-Uudenmaan Säästöpankki
Mietoisten Säästöpankki
Myrskylän Säästöpankki
Nooa Säästöpankki Oy
Närpes Sparbank Ab
Someron Säästöpankki
Säästöpankki Kalanti-Pyhäranta
Säästöpankki Optia
Säästöpankki Sinetti
Ylihärmän Säästöpankki
Central Bank of Savings Bank Finland Plc
Sp Mortgage Bank Plc

Risk management and internal control framework of the Savings Banks Amalgamation

In accordance with the Amalgamation Act, the Central Institution of the Amalgamation is supervised by the Finnish Financial Supervisory Authority. Its member credit institutions are supervised by the Finnish Financial Supervisory Authority and the Central Institution. The Financial Supervisory Authority ensures that the Central Institution monitors and guides the operations of the member credit institutions in accordance with the provisions of the Amalgamation Act and that the member organizations comply with their legal obligations.

The Central Institution ensures that the Amalgamation members conduct their business according to the laws, decrees and regulations concerning financial markets as well as in line with their own rules and Articles of Central Institution and the guidelines issued by the Central Institution by virtue of Section 17 of the Amalgamation Act. The Central Institution also monitors the financial standing of the member organisations.

The Central Institution must have reliable governance that makes efficient risk management possible along with internal controls commensurate with Amalgamation operations and sound risk-management systems. The principles to be followed in the risk management of the Savings Banks Amalgamation are included in the risk and solvency management principles approved by the Central Institution's Board of Directors, described in the notes to risk management.

Pursuant to the Amalgamation Act, the aggregate amount and liquidity of the Amalgamation`s own funds are monitored at the amalgamation level on a consolidated basis. The Central Institution is responsible for monitoring the operations of the member credit institutions and giving them guidance in risk management, reliable governance and internal control needed to secure their liquidity and solvency. It also guides the members in the preparation of consolidated financial statements based on uniform accounting principles. The Central Institution may also establish general operating principles for the member credit institutions to observe in operations that are considered important for the Amalgamation.

Each member credit institution operates independently relying on its own resources. A member institution may not take risks that could put the Amalgamation in danger in terms of the members' combined solvency or liquidity.

The Amalgamation must comply with the requirements regarding minimum consolidated own funds, laid down in the Act on Credit Institutions. As a minimum, the member institutions of the Amalgamation must maintain aggregate own funds that are sufficient to cover the combined risks, specified in the Act on Credit Institutions, of the member institutions. The consolidated own funds of the member institutions must also be sufficient considering the consolidated customer risks and significant ownerships of the member institution of the Amalgamation.

The internal control system comprises financial and other controls. Internal control is the part of management and operations intended to ensure

- The achievement of goals and objectives
- Economical and efficient processes
- Management of risks related to operations
- The reliability and validity of financial and other management information
- Compliance management
- Adequate security of operations, data as well as company and customer assets, and
- Appropriate and adequate manual and automated information systems in support of business operations.

Internal control, for which all functions and organisational levels take responsibility, is part of the operational activities; it is an integral part of daily operations. Crucial for a working and effective control system is that an appropriate internal control structure and control measures have been defined for all business levels, including adequate guidelines, control measures, follow-up and reporting.

The Central Institutions Board of Directors is primarily responsible for organising, implementing and securing the functioning of the internal control system. The Board of Directors of the central institution approves the principles pertaining to corporate governance and internal control..

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 Savings Banks Group:

- Risk control
- Compliance
- 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 Savings Banks Group's business lines.

The Board of Directors monitors the business performance and associated risks of the Amalgamation regularly and decides on reporting, procedures as well as qualitative and quantitative indicators used to assess the efficiency and performance of the operations. The Central Institution is tasked with the Amalgamation-level risk control, compliance- and financial reporting.

To carry out this responsibility, the Central Institution's Supervisory Board and Board of Directors appoint the committees laid down in the Act on Credit Institutions and any other committees they consider necessary to support their work. They also confirm the organisation of the Central Institution's management and describe the main areas of responsibility.

The Board of Directors of the member credit institutions are responsible for arranging internal controls for their own organisations in accordance with legislation, government regulations and the internal guidelines of their own Board of Directors and the Board of Directors of the Central Institution. The member credit institutions of the Savings Banks Amalgamation must make appropriately organised internal control a part of their daily business operations.

The Central Institution's executive management has a functional responsibility for the operations of the Amalgamation's Central Institution under authorisation of the Savings Banks' Union Coop's Board of Directors.

At the Amalgamation level, the Central Institution's executive management is responsible for:

- Developing and maintaining measures, guidelines and instructions leading to reliable governance that enables efficient risk management, internal controls commensurate with Amalgamation operations and secure functioning of the controls
- Reporting on and controlling the quality and development of various risk areas
- Ensuring efficient and all-around functioning of the practical measures of internal controls
- Ensuring that any shortcomings and development needs of internal control are documented and reported for corrective actions to the members of the management responsible for internal control in each entity, and
- Ensuring that the Central Institution's Board of Directors and Supervisory Board are aware of the functioning of the internal controls and can verify their own responsibilities in an efficient and comprehensive manner.

Internal control is supported by appropriate reporting, which is used to monitor the quality, scale and diversity of operations, and by descriptive reporting to monitor operations, perfor-mance and risks associated with operations. Reporting shall be reliable, clear and up to date. Reporting on financial, risk management and compliance activities is prepared centrally and separately from business activities.

Member credit institutions' solvency and its control

The minimum own funds of a member credit institution may, with the consent of the Central Institution, be lower than what is required by the Act on Credit Institutions. The member institution must secure its solvency by having own funds in the amount of at least 80% of the amount required by the Act on Credit Institutions.

The Central Institution may also allow a member institution to exceed the customer risk limits laid down in the Act on Credit Institutions. The Central Institution may allow, for the maximum period of three years at a time, that an individual customer risk of a member credit institution is up to 40% of the institution's own funds, while the relevant limit set in the Act on Credit Institutions is 25%. Customer risks of credit institutions and investment service companies are regulated separately in the Amalgamation Act. Similarly, the maximum percentages regarding ownership in business associations may, with the Central Institutions consent, be raised to 25% and 75%, respectively, of own funds, while the Act on Credit Institutions has set the limits at 15% and 60%.

Moreover, the Central Institution may decide that its member credit institutions are not subject to the solvency requirements set for credit institutions in Part 6 of the EU Capital Requirements Regulation and other EU regulations based on it.

The Central Institution may also decide that the provisions of Chapter 9 of the Act on Credit Institutions and the EU Capital Requirements Regulation regarding qualitative risk management of credit institutions and their consolidation groups do not apply, partly or fully, to its member credit institutions and companies in their consolidation groups.

The Central Institution may grant the above waivers provided it meets the requirements laid down in Section 17 of the Amalgamation Act and the Finnish Financial Supervisory Authority's regulations based on the Act along with other legal requirements, and that the Financial Supervisory Authority, based on the above, has granted to the Central Institution the authority to make such decisions. The Central Institution may not grant such waiver to a member credit institution which has significantly and repeatedly failed to comply with the Central Institution's guidelines referred to in Section 17 or other obligations regarding its risk management.

Joining the Savings Banks Amalgamation; withdrawal from membership

Members of the Central Institution may include credit institutions whose rules or Articles of Association are in line with the provisions of the Amalgamation Act and whose rules or Articles of Association the Central Institution has approved. Admission of new members is decided upon by the General Meeting.

A member credit institution has a right to withdraw its Central Institution membership. Regardless of with-drawal, the aggregate amount of the member companies` own funds must remain at the level required by the Amalgamation Act.

A member credit institution may also be removed from the Central Institution membership in accordance with the Cooperatives Act. A member may also be expelled if it has failed to comply with the Central Insti-tution's guidelines issued by virtue of Section 17 of the Amalgamation Act in a manner that puts the liquidi-ty or solvency management or the application of uniform accounting principles or their monitoring in the Amalgamation at a significant risk. Expulsion is also possible if a member institution acts materially in breach of the Amalgamation's general operating principles confirmed by the Central Institution.

The provisions of the Amalgamation Act governing the payment liability of a member credit institution also apply to a former member institution if less than five years have passed from the end of the calendar year of the member credit institution's withdrawal or expulsion when a demand regarding payment liability is made on the member credit institution.

Financial statements and audit of the Savings Banks Group

The Savings Banks Group's financial statements combine the financial statements of all its significant member organisations. Pursuant to the Amalgamation Act, the Savings Banks Group's financial statements must be prepared in accordance with the international accounting standards referred to in the Accounting Act. As per these standards, the financial statements must include all other significant organisations belonging to the Savings Banks Group. The Finnish Financial Supervisory Authority has issued detailed instructions regarding the preparation of the Savings Banks Group's financial statements. The principles followed in preparing the financial statements are described in the Note 2 of the financial statements. Member credit institutions have no obligation to publish an interim report as referred to in Section 12 of Chapter 12 of the Act on Credit Institutions.

The Central Institution is obliged to advise its member credit institutions in applying uniform accounting principles. The member credit institutions must give the Central Institution the information needed for the consolidation. Furthermore, the Central Institution and its auditor have a right to request a copy of a member Credit Institution's audit documentation for auditing the consolidated financial statements.

The financial statements are presented to the ordinary general meeting of the Savings Banks' Union Coop.

Payment liability of the central institution and mutual responsibility of member credit institutions

According to the Amalgamation Act, the Central Institution must, as a supporting measure, pay to a member credit institution an amount needed to prevent its liquidation. The Central Institution is also liable for a debt a member credit institution cannot pay from its own funds.

The member credit institutions must pay to the Central Institution their share of the amount the Central Institution has paid either to another member credit institution as a supporting measure or to the creditor of another member credit institution as payment for a debt for which the creditor has not been able to obtain payment from the member credit institution. In the event of the Central Institution's insolvency, member credit institutions also have an obligation to pay unlimited additional amounts towards the Central Institution's debt, as provided in the Cooperatives Act.

Each member institution's liability of the amount of the Central Institutions payment is divided between the member credit institutions in proportion to their latest confirmed balance sheet totals. In each financial year, the combined annual payments collected from a member credit institution as a supporting measure to prevent another member's liquidation may not exceed, in total, five thousandths of its latest confirmed balance sheet total.

Deposit Guarantee Fund and Investors' Compensation Fund

According to the legislation concerning the Deposit Guarantee Fund, the deposit banks of the Savings Banks Amalgamation are considered to constitute a single bank in respect of deposit protection. The Deposit Guarantee Fund reimburses a maximum of EUR 100,000 to an individual account holder who has receivables from deposit banks belonging to the Savings Banks Amalgamation.

Under the legislation concerning the Investors' Compensation Fund, the Savings Banks Amalgamation is also regarded as a single bank for the purposes of compensation protection. The Investors' Compensation Fund's assets may be used to compensate an investor's receivables from organizations belonging to the Savings Banks Amalgamation to a maximum of EUR 20,000.

Remuneration

The Savings Banks Amalgamation's remuneration system for personnel and management is based on current legislation, the regulations and recommendations governing the financial sector and, where applicable, the Finnish Corporate Governance Code.

The member credit institutions of the Savings Banks Amalgamation adhere to the provisions of Chapter 8 of the Act on Credit Institutions (610/2014) and the Savings Banks Amalgamation's remuneration principles. Remuneration also complies with EU and Finnish legislation and the orders and guidelines issued by the authorities.

However, the Savings Banks Group does not apply the provisions of Sections 9, 11 and 12 in Chapter 8 of the Act on Credit Institutions to those employees whose variable remuneration for a one-year earning period does not exceed EUR 50,000 and whose variable remuneration for a one-year period does not exceed 100% of the employee's total fixed remuneration.

By 'remuneration systems' it is meant the decisions, contracts, policies and procedures that are followed in rewarding the management and personnel. The remuneration system includes both the rewarding method and the processes related to its development and implementation. The remuneration system is developed actively and taking a long-term view in order to secure the Amalgamation's competitiveness, good economic growth, inventiveness, commitment and availability of new competent persons. The Savings Banks Amalgamation sees the remuneration system as a comprehensive package that supports the motivation and job satisfaction of the personnel. It is used to guide the operations towards the common goals. The remuneration system includes financial remuneration components as well as other components, such as the maintenance and development of professional competence. As such, financial compensation is only one part of the bigger picture, and emphasis is also placed on other forms of remuneration.

The remuneration system is consistent with the good and efficient risk management of the member credit institutions and member companies of the Amalgamation and is always implemented within the framework of the Amalgamation's current risk-management principles. Remuneration does not encourage risk-taking that would exceed the sustainable risk level defined on the basis of the risk-bearing capacity of the member credit institutions or the Savings Banks' Union Coop.

The Central Institution's Supervisory Board decides, on the proposal of the Remuneration Committee, on the remuneration principles of the Savings Banks Amalgamation. The Central Institution's Remuneration Committee monitors and controls the functioning and competitiveness of the remuneration systems of the member credit institutions and companies ensuring their ability to support short and long-term goals of the Amalgamation, and prepares proposals to the Board of Directors for the development of the remuneration system. The remuneration principles are reviewed and, if necessary, amended annually to ensure that they are up to date. They are also reviewed and amended whenever there are changes in the operating environment, the regulatory environment or the requirements imposed by the authorities.

The Remuneration Committee consists of minimum four members. Three members chosen by the Central Institution's Supervisory Board plus one independent member of the Savings Banks form the Committee. The Committee may also use various experts who may be invited to participate in committee meetings. The make-up and work of the Committee have been organised in such a way as to allow the committee to assess independently the incentives and other impacts of the remuneration systems on the risk, capital and liquidity management.

The Savings Banks Amalgamation's Risk Committee evaluates, and reports to the Remuneration Committee on, whether the remuneration systems and practices take into account factors such as risks as well as requirements concerning capital and liquidity.

Compliance Officers are required to participate in the planning of remuneration practices and, for their part, ensure that the remuneration policies and practices of each bank and company comply with the current regulations and the Amalgamation's guidelines. The Compliance function monitors the remuneration system and practices in accordance with its annual plan. Observations concerning the remuneration system are reported to the executive management of the member credit institution/ company, the Board of Directors and the central institution's Compliance function. The central institution's Compliance function reports summaries of its observations to the Supervisory Board's Remuneration Committee and the Board of Directors of the central institution as part of its regular reporting activities.

The internal audit of the Amalgamation's Central Institution issues an annual assessment on compliance with the remuneration to the Board of Directors of the member organisation or company. The internal audit of the Amalgamation's Central Institution also issues an Amalgamation-level assessment to the Central Institution's Supervisory Board on compliance with the remuneration system based on the company-level assessments. Key observations are also reported to the Central Institution's Remuneration Committee.

The boards of directors of the Amalgamation's member organisations and companies decide, for their part, on their entity's remuneration system as well as the short-term and long-term targets of remuneration in a manner that supports the business objectives and management of the individual member organisation or company. The boards of directors of the Amalgamation's member organisations and companies also decide, for their part, on the payment of remuneration based on the achievement of targets while observing the risk adaptation process.

The remuneration of functions independent of business operations is controlled by the board of the member credit institution, member company or the Central Institution. Such remuneration may not depend on the outcome of the business unit which they control but must be based on the achievement of the goals set for the control.

The Savings Banks Group has identified significant risk-takers who can impact a bank's risk profile or through their actions cause considerable financial risk to a bank. The persons affecting the risk profile of the Amalgamation include the Managing Directors and other people participating in the management and decision-making in the member credit institutions, Central Institution or other member organisations along with other people with a major impact on the company's risk exposure, including people associated with functions independent of business operations. The Central Institution gathers up-to-date information about significant risk-takers. Each member institution is responsible for the accuracy and timeliness of its own information.

If a person, who is assigned to a group whose professional duties may cause significant risk to a member credit institution or the company ("person affecting risk profile"), is proposed to be paid more than EUR 50,000 annually, the provisions of the Act on Credit Institutions on deferring the payment of variable remuneration are applied.

The salaries, wages and remuneration of the financial year are shown in the note 13 of the financial statements titled "Personnel expenses".

NOTE 5. RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT

General principles and objectives for risk management

The Savings Banks Group is a financial group comprising 18 Savings Banks and their central institution, the Sav ings Banks' Union Coop, as well as their subsidiaries and asso ciated companies. The Savings Banks Group does not form a financial and insurance conglomerate as defined in the Act on the Supervision of Financial and Insurance Conglomerates.

The member organizations of the Savings Banks Amalgamation form a financial entity as defined in the Amalgamations Act, 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 independent, local and regional Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sp-Fund Manage ment Company Ltd, along with Savings Bank Services Ltd, which is 100 % owned by the Savings Banks' Union Coop.

The Savings Banks' Union Coop acts as the Central Institution of the Savings Banks Amalgamation. According to the Amalgamation Act the Central Institution has the right to steer and the obligation to monitor the operations of the member credit institutions. The Central Institution conducts its tasks of steering and monitoring on both the Savings Banks Amalgamation and the member credit institution levels. The Board of Directors of the Central Institution has approved the most significant risk strategies and other operating principles. It also decides on the use of necessary means of control according to the Amalgamation Act and the Savings Banks Group's operating principles.

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 has complemented with the other financial services and products provided in cooperation with the service and product companies within the Group. The most significant service and product companies of the Savings Banks Group are Central Bank of Savings Banks, Sp Mortgage Bank Plc, Sp Life Insurance, Sp Fund Management Company, Savings Bank Services Ltd and Sp Koti.

The risk and capital adequacy management processes are regulated by the Act on Credit Institutions, the Act on Insurance Companies, the Amalgamations Act, directly binding EU regulations together with the regulations and guidelines of the FIN FSA. According to the Amalgamations Act the minimum consolidated capital adequacy and liquidity of the companies within the Savings Banks Amalgamation shall be controlled on a consolidated basis at the Savings Banks Amalgamation level.

The membership of the Savings Banks Amalgamation includes the responsibility for the operations of the Savings Banks Amalgamation and its member institutions. The responsibility means that each of the member institution in their decision-making takes into account the effect on the operations of their own organization as well as on the operations of the other member institutions within the Savings Banks Amalgamation. Each Savings Bank takes risks within its own funds, capital adequacy and liquidity and operates within its own risk-bearing capacity.

The objective for the Savings Banks Amalgamation's risk management is to recognize the threats and possibilities affecting the implementation of the Savings Banks Amalgamation's strategy.

The objective of the capital adequacy management is to ensure the risk-bearing capacity of the Savings Banks Amalgamation and its member organizations as well as the continuity of their operations. The Savings Banks Amalgamation's strategy defines the objectives for risk-bearing capacity and risk appetite together with other risk management objectives in relation the business objectives.

The Savings Banks Amalgamation has efficient corporate governance ensuring adequate risk management as well as adequate internal control and risk management framework. The corporate governance, internal control and risk management framework must comply with legislation and the regulations and guidelines issued by the authorities. The principles of the corporate governance are described in more detail in Note 4 Corporate governance policies.

The Savings Banks Group conducts retail banking, central credit institution services, mortgage credit banking, investment and asset management, life insurance and real estate brokerage. The most significant risks affecting the banking segment are credit, interest rate and liquidity risks. The life insurance business is affected by the market, insurance and counterparty risks. Business and operational risks including legal and compliance risks arise within all business areas.

Risk management principles and governance

Risk management framework includes identifying, assessing, measuring, mitigating and monitoring risks arising from the Savings Banks Amalgamation's business operations. The purpose of risk management is to minimize the likelihood of unforeseeable losses or reputational risk in order to ensure the implementation of the Savings Banks Group's strategy.

Risk and capital adequacy management enables the identification, assessment and measurement of risks, limiting them to a level of the Savings Banks Amalgamation's risk appetite. The capital needed for the various risk areas and business lines is determined in a reliable and independent manner and allocated systematically. This is done based on current and planned risk-taking and taking into account the requirements of appropriate liquidity management.

The Central Institution is responsible for the risk and capital adequacy management and the adequacy and maintenance of the risk management framework at the Savings Banks Amalgamation level. The Central Institution gives the member organizations guidelines in risk management, corporate governance and internal control in order to ensure their liquidity and capital adequacy. The Central Institution also gives guidelines to the member organizations regarding the accounting principles for preparation of Savings Banks Group's consolidated financial statements. The Central Institution monitors that the member institutions within the Savings Banks Amalgamation comply with internal operating principles and follow the rules of good banking practices in their customer relationship. The Central Institution approves the principles for the internal control framework. The risk management strategy is based on the objectives and business strategy, risk management instructions and guidelines and authorization structure approved by the Board of Directors together with the risk and follow-up reporting related to the most significant business lines.

The member institutions are responsible for the risk management framework and the risk and capital adequacy management within their own organizations in relation to the nature, scale and complexity of their business. The basis for risk management within the Savings Banks Amalgamation is that a member institution does not take such significant risks in its operations that it would jeopardise the liquidity and/or the capital adequacy of the member institution. When each member institution operates within its risk-bearing capacity and ensures its' liquidity and capital adequacy even during less favourable economic conditions, also the liquidity and the capital adequacy of the Savings Banks Amalgamation are ensured. The Board of Directors of the member institution defines the risk appetite by approving the risk area specific risk strategies, risk limits and other thresholds. The monitoring follows the implementation of the risk strategies and reporting of the risk limits and other thresholds conducted independently from the business operations.

In order to ensure the adequacy of the risk management within the Savings Banks Amalgamation the Board of Directors of the Central Institution has set a Risk Committee. The task of the Risk Committee is to assist the Board of Directors of the Central Institution in matters concerning risk strategies and risk-taking and to monitor that the Savings Banks Amalgamation complies with the risk strategies as approved by the Board of Directors of the Central Institution. The Risk Committee monitors and ensures the efficiency and adequacy of the capital adequacy management process within the Savings Banks Amalgamation and evaluates the adequacy of the policies, controls and processes related to these risks. Risk Committee congregates monthly.

The task of the Asset and Liability Committee is to assist the Board of Directors and Risk Committee in their areas of responsibilities and ensure that the structural liquidity and market risk including interest rate and investment risk of the Savings Banks Amalgamation remain at the level that ensures the continuity of the Savings Banks Amalgamation's operations. In addition, the Asset and Liability Committee plans and co-ordinates the funding and liquidity management of the Savings Banks Amalgamation together with the Central Bank of Savings Bank's Treasury.

The Central Institution has established the following functions, independent of business operations, to ensure an efficient and comprehensive internal control system for all member organizations of the Savings Banks Amalgamation:

- Risk Control
- Compliance
- Internal Audit

The task of the independent Risk Control unit is to ensure and monitor that the risk management framework of the Savings Banks Amalgamation is adequate in relation to the nature, scale, complexity and risk level of the Savings Banks Amalgamation's business operations. The Risk Control unit assists the Board of Directors and senior management of the Savings Banks Amalgamation in their task to arrange adequate risk management framework and monitor the functionality and efficiency of the risk management framework.

The Compliance unit ensures that the Savings Banks Amalgamation complies with the legislation and authorities' regulation and guidelines. The Compliance unit is responsible for monitoring that the Savings Banks Amalgamation complies with the internal guidelines, ethical guidelines given to the personnel and other guidelines applied within the financial markets.

The Internal Audit monitors that the internal audit of all the institutions belonging to the Savings Banks Amalgamation and the Savings Banks Group is appropriately arranged. As an independent unit Internal Audit ensures that the Board of Directors, Supervisory Board and senior management of the Central Institution has a fair and comprehensive view of the profitability, efficiency, adequacy of internal control and level of risk positions of the Savings Banks Group's, Savings Banks Amalgamation's and its member institutions.

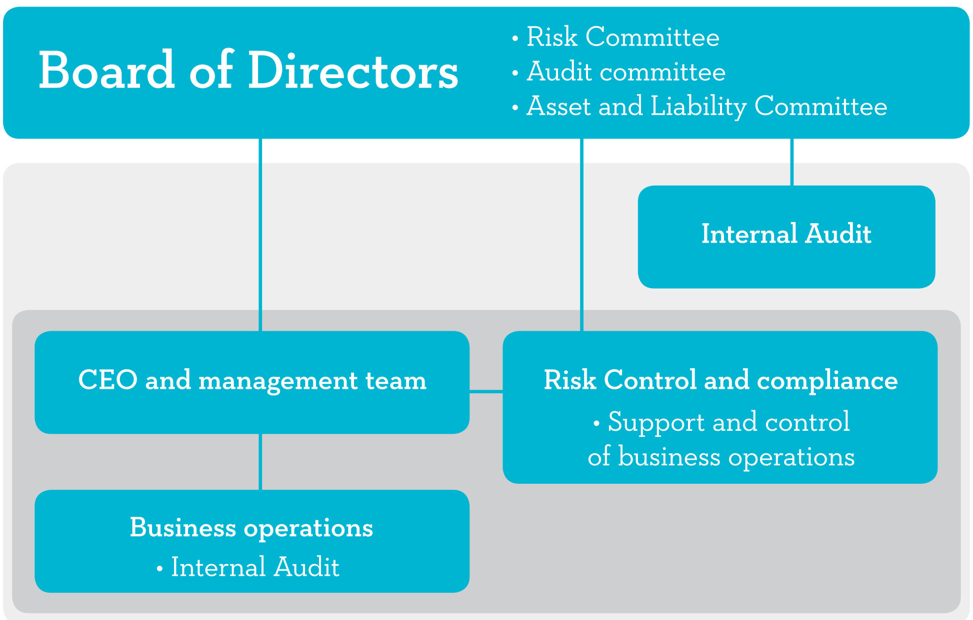


Chart: Risk management governance of the Central Institution

The Boards of Directors of the Savings Banks Amalgamation's member organizations are responsible for arranging the internal control framework within their own organizations in accordance with legislation, government regulations and the guidelines of the Board of Directors of the Central Institution. The CEOs together with the other senior management of the member organizations are responsible for arranging internal controls for their own organizations in accordance with legislation, government regulations and the internal guidelines of their own Board of Directors and the Board of Directors of the Central Institution.

The methods of risk management in the Savings Banks Amalgamation are maintained and developed by Central Institution's Risk Control unit. The objective is to ensure that the risk management covers all material risks, including any new and previously unidentified risks.

All significant loans or commitments including significant risk are made in accordance with collegial decision-making pro cesses, and there is a lending authority limit structure in place. Internal operational guidelines are used to steer business oper ations 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 docu mented and archived. An essential part of risk management is executed in daily super vision. The execution of made decisions is monitored through approval and verification process, controls and reconciliations together with adequate monitoring and reporting.

Risk strategies and limit structure for each risk area have been established at the Savings Banks Amalgamation. The risk strategies are complemented by the operational guidelines of the Board of Directors of the Central Institution. The risk strategies include the identification, measurement and assessment of risks and the description of limits, monitoring and reporting of the risks.

The risk positions are regularly reported to the Board of Directors of the Central Institution. The Board also approves the framework for risk appetite by setting risk limits and other thresholds for different risk areas at the Savings Banks Amalgamation level.

Pillar III disclosure principles

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

The Savings Banks Amalgamation's Board of Directors approves the Pillar III disclosure principles and the Central Institution's management prepares the disclosure principles. The principles are updated at least annually or whenever the Savings Banks Amalgamation's operating environment, business model, regulatory and/or regulatory framework change materially. The Pillar III information of 2020 is published in the separate Pillar 3-report. However, the Savings Banks Amalgamation assesses the need for more frequent publication if the market conditions, financial performance or change in the risk position would require that.

Capital adequacy management

The objective of the capital adequacy management process is to ensure that the quantity and quality of capital are adequate and in proportion with the nature, scale and complexity of the Savings Banks Amal-gamation's operations and with all the risks resulting from its business operations and operating environ-ment. To achieve this objective, the Savings Banks Amalgamation identifies and assesses the risks associat-ed with its business operations and ensures that its risk-bearing capacity is adequate when compared to the sum of all risks. The Savings Banks Amalgamation's capital adequacy management is based on the capital adequacy requirements and internal assessment process of capital adequacy defined in the Capital Re-quirements Directive (CRD IV) and Regulation (CRR) Pillar 1 of the European Parliament and of the Council. In the internal assessment process, the Savings Banks Amalgamation estimates the amount of capital need to cover any unforeseen losses resulting from risks outside of Pillar 1. The internal capital requirement is been called Pillar 1+, which is the minimum capital requirement (Pillar 1) plus risks outside of Pillar 1, such as the interest rate risk associated with the banking book, market risk associated with the investment portfolio and business risk.

The Board of Directors of the Central Institution has the responsibility for the management of the Savings Banks Amalgamation's capital adequacy. The Board of Directors of the Central Institution approves the basis, objectives and principles for the Savings Banks Amalgamation's capital adequacy management. The Board of Directors also confirms the overall requirements for the measurement and assessment of capital adequacy and the overall principles for the management process of capital adequacy. In practice, this means that the Board of Directors approves the risk strategies and defines target levels for the capital needed to cover all material risks caused by the Savings Banks Amalgamation's business operations and changes in the operating environment. The Board of Directors monitors regularly the profitability and risk profile of the Savings Banks Amalgamation and makes the decisions on necessary reporting and procedures together with the qualitative and quantitative measures that have used to assess the efficiency and profit-ability of the operations.

The Board of Directors of the Central Institution has set a quarterly followed threshold for the capital ratio. The long-term minimum requirement for the CET1 capital is 18 %

Stress test

The Savings Banks Amalgamation uses stress tests to assess its own risk position and the adequacy of its capital. The purpose of stress tests is to estimate how different exceptionally serious but possible situations may affect the profitability, capital adequacy and adequacy of own funds. Stress tests have designed to identify the key risks to the Savings Banks Amalgamation and to assess how vulnerable its structure is to the occurrence of those risks. The objective of the capital adequacy management is also to maintain and develop the quality of the risk management framework.

Capital contingency plan

The Savings Banks Amalgamation's capital contingency plan has been done in order to be prepared for un-foreseeable events that may threaten its capital adequacy. The capital contingency plan includes target and follow up levels set by the Board of Directors for the quantity and quality of the capital, that are to be monitored and controlled quarterly by the Risk Control unit of the Central Institution. In the event that capital adequacy falls to the level of or below the early warning threshold, the Risk Control unit of the

Central Insti-tution shall analyze the reasons causing the situation and report the findings to the Board of Directors's Risk Committee and Board of Directors who will make the necessary decision on the activation of the contingency plan.

Pillar 1 – capital requirement

The biggest capital requirements for the credit and counterparty risk are coming from the exposures se-cured by mortgages on immovable properties, corporate and retail exposures. The standardised method is used to calculate the capital requirement to the credit risk of Savings Banks. The capital requirement to operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated with the basic method on the foreign exchange position.

Pillar 1 capital requirement (EUR 1,000)	31.12.2020	31.12.2019
Exposures to central governments or central banks		
Exposures to regional governments or local authorities	36	32
Exposures to public sector entities	25	
Exposures to international organisations		
Exposures to institutions	3,748	2,950
Exposures to corporates	88,328	86,552
Retail exposures	69,344	69,154
Exposures secured by mortgages on immovable property	186,254	179,565
Exposures in default	4,706	5,382
Exposures associated with particularly high risk	1,093	1,074
Exposures in the form of covered bonds	286	323
Exposures in the form of units or shares in collective investment undertakings (CIUs)	28,769	25,962
Equity exposures	6,390	6,378
Other items	9,431	10,267
Capital requirements for credit and counterparty credit risk	**398,409**	**387,638**
Capital requirement for credit value adjustment (CVA)	**8,938**	**8,141**
Capital requirement for market risk	**2,391**	**2,306**
Capital requirement for operational risk	**41,368**	**39,995**
Total capital requirement	**451,105**	**438,079**

Own funds and capital ratio

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 million (EUR 1,044.0 million), of which CET1 capital accounted for EUR 1,069.6 million (EUR 1,028.6 million). Savings Banks Amalgamation does not have addi-tional Tier 1 capital. The growth in CET1 capital was due to the profit for the period. Tier 2 (T2) capital ac-counted for EUR 6.1 million (EUR 15.4 million), which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 5,638.8 million (EUR 5,476.0 million), i.e., they were 3 % 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 million (EUR 659.7 million) that equals to 11.76 % of risk-weighted assets. 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 conser-vation buffer	Countercyclical capital buffer	Combined capi-tal 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 Savings Banks 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 Savings Banks 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 Savings Banks 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 Savings Banks Amalgamation's member credit institutions.

Capital requirement for the credit risk is calculated by standardised approach and capital requirement for the operational risk is calculated by basic approach and for the market risk by basic approach for the currency 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 Savings Banks Amalgamation's leverage ratio was 8.7 % (9.1 %). The leverage ratio has been calculated according to the current regulation, and it describes the ratio of the Savings Banks Amalgamation's Tier 1 capital to total liability. The Savings Banks Amalgamation monitors excessive indebtedness as part of its capital adequacy management 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 Savings Banks 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

Banking segment

Credit and counterparty risks

The credit risk is the most significant risk of the Banking segment. The management and monitoring of the credit risk plays a major role when ensuring the adequacy of capital compared to business risks and losses caused by risk occurrence.

Credit risk is defined as a possibility that a counterparty may not meet its contractual obligations. The largest source of credit risk is lending, but credit risk (counterparty risk) may also occur from other types of receivables, such as bonds, short-term debt securities and derivative instruments, as well as off-balance sheet commitments, such as unused credit limits, and guarantees.

The key customer groups for Banking segment are retail customers, corporate (small to medium) customers, forestry and agricultural customers. The major part of Banking segment funds is granted as loans to the customers.

Management and measurement of credit risk

The Board of Directors of the Central Institution steers the Banking segment's credit risk management, the methods used, as well as their monitoring and reporting by approving the credit risk strategy, other guide-lines and by setting the risk limits and other thresholds. The Central Institution's Risk Control function regularly monitors the development of credit risks in relation to limits as well as monitoring and control boundaries and monitors that the member credit institutions adhere to these principles.

The Risk Control unit of the Central Institution is responsible for the maintenance and updating of the approved credit risk strategy in cooperation with the Risk Committee set by the Central Institution's Board of Directors. The strategy is updated at least annually or whenever the Savings Banks Amalgamation's operating environment, business model, regulatory and/or regulatory framework change materially.

The credit risk strategy is supported by operational level instructions and guidelines issued by the Central Institution's Board of Directors. The most important instructions are credit underwriting policy, collateral guidelines, guidelines for the recognition and management of problem customers, guidelines for the impairment and credit loss process and guidelines for collateral price follow up for real estates. The general credit guidelines also covering mortgage credit banking

The objective for the credit risk management is to restrict the effect of the risks arising from the exposure on the profitability and capital adequacy at the acceptable level. The Board of Directors of the Central Insti-tution defines and confirms the risk limits and thresholds used for monitoring and controlling the lending portfolio by customer and industry group as well as the quality of portfolio at the Savings Banks Amalgamation level.

The business strategies and the credit-underwriting policies approved by the Boards of Directors of the Savings Banks Amalgamation's member institutions define the maximum exposure limits to the member credit institution specific risk concentrations and steer the lending by customer groups, industries and cred-it ratings. The member institutions mainly grant credits within their operational areas ensuring one of the essentials features for the lending of the Savings Banks: local and comprehensive knowledge of their customers.

In the Savings Banks the Board of Directors makes the most significant credit decisions. Each Board of Di-rectors delegates the necessary lending authorities to the banks' senior management/ management team/credit committee and other named persons involved in the lending. The credit decisions are made according to the credit-underwriting policy as approved by the Board of Directors. The main principle is decision making by two persons having lending authorization. The credit decisions are based on the customers' credit worthiness, ability to pay and other criteria, for example regarding acceptable collaterals, applied to credit decision making. The loans are mainly granted with acceptable collaterals. The collaterals are valued at fair value conservatively and their fair values are regularly monitored using both statistical information and bank's comprehensive knowledge about its operating area. The Board of Directors ap-proves the instructions and guidelines for the valuation of the different collateral types and their collateral value applied in lending. The collateral values are conservatively defined maximum amount for each collat-eral type and the evaluation of the fair value of the collateral is always done on a case-by-case basis.

Credit risk is assessed and measured by monitoring payment delays, expected credit losses, troubled exposures and non-performing receivables, for example. The customer-specific amounts of liabilities and collateral are monitored by the persons responsible for the customers based on continuous payment behaviour and monitoring the customers' activities. The Board of Directors receives regular reports on customer liabilities, payment delays, expected credit losses, troubled exposures and non-performing receivables. The concentrations of the credit portfolio are monitored on a customer-specific and industry-specific basis and the reporting includes the amounts and development of risks at the customer and industry levels as well as by credit rating.

Credit and counterparty risk (EUR 1,000)	31.12.2020			
Exposure group	Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable property	6,860,045			6,860,045
Retail exposures	2,207,045	620,845	47,291	1,727
Exposures to corporates	1,291,152	83,727	7,897	
Exposures to institutions	200,095			
Exposures to central governments or central banks	1,428,029			
Exposures in the form of units or shares in collective investment undertakings (CIUs)	381,296			
Exposures in default	78,702	2,247	1,113	376
Othe exposure groups in total	344,385		16	
Total	**12,790,750**	**706,820**	**56,317**	**6,862,148**

Credit and counterparty risk (EUR 1,000)	31.12.2019			
Exposure group	Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable property	6,610,284			6,610,284
Retail exposures	2,073,963	530,728	43,416	1,727
Exposures to corporates	1,264,823	71,875	7,079	
Exposures to institutions	142,327			
Exposures to central governments or central banks	954,801			
Exposures in the form of units or shares in collective investment undertakings (CIUs)	359,454			
Exposures in default	83,895	2,220	1,025	371
Othe exposure groups in total	260,912		20	
Total	**11,750,459**	**604,823**	**51,541**	**6,612,382**

*The data of the comparison period has been amended so that the exposures secured by real estate collateral consist entirely of collateralised exposures in accordance with the regulatory reporting.

Doubtful exposures

Doubtful exposures, delayed payments, forborne exposures and non-performing receivables are monitored regularly at both the member credit institution level and the amalgamation level. Doubtful exposures refer to liabilities for which the customer is classified as being in default either due to significant receivables being more than 90 days past due or due to it being deemed unlikely, for other reasons, that the customer will fulfil their obligations.

Delayed payment refers to the customer's receivables being overdue for 1–3 months and the customer being a potential problem customer. The Amalgamation's delayed receivables were at par 2.0 per cent (2.1) of the credit portfolio.

A non-performing receivable is the remaining principal, reported as a receivable that is more than 90 days past due, of a receivable for which the interest of principal has been due and unpaid for more than three months. The Amalgamation's non-performing receivables amounted to 0.8 (0.8) per cent of the credit portfolio at the end of the year. The amount of non-performing receivables in 2020 remained at a same moderate level as previous year due to the instalment-free periods granted in the spring. The demand for instalment-free periods was the strongest in the spring of 2020. After that the demand decreased significantly and requests for instalment-free periods became more occasional. The average maturity of the loans for which instalment-free periods were granted was approximately seven months. Significant proportion of the instalment-free periods that became due at the end of 2020 were not extended. At the end of 2020, the number of instalment-free periods in the credit portfolio is almost on a par with the numbers from the end of 2019, a relative difference of approximately 2.2 percentage points relative to the euro.

Receivables whose terms have been renegotiated due to the customer's deteriorated ability to pay are reported as forborne exposures. Concessions are granted on the loan terms of renegotiated receivables due to the customer's financial difficulties by, for example, granting an instalment-free period of 6–12 months. In certain circumstances, when a debtor experiences financial difficulty, the customer is granted a concession on the terms of the loan in the form of an instalment-free period or restructuring the liability. The aim is to ensure the customer's ability to pay and avoid potential credit losses. Granting forbearance is conditional on the customer's financial difficulties being short-term and temporary. The Amalgamation's forborne exposures totalled EUR 208.9 million (EUR 23.8 million). The increase in forbearance was influenced by renegotiations of receivables due to the Coronavirus, and by the correction made in June 2020 as a result of a clarification to the definition of forbearance.

Impairment and expected credit losses are described in the accounting policies section of the financial statements and in the note 16 impairments.

Payment delays and non-performing loans (EUR 1,000)	31.12.2020	Share (%)	31.12.2019	Share (%)
Payment delays, over 30 days	129,319	1.4 %	130,679	1.4 %
of which: 30-89 days	58,682	0.6 %	54,240	0.6 %
of which: over 90	70,638	0.8 %	76,439	0.8 %
Forberance in total	208,874	2.2 %	23,813	0.3 %

Credit portfolio

The loan portfolio of the Banking segment was EUR 9,330 million at the end of 2020 (EUR 8,975 million) and increased with 4.0 % compared to previous year-end. The lending to retail customers was 72.2 % (73.1 %), to corporate customers 19.8 % (18.4 %) and to agricultural and other customers 8.1 % (8.9 %).

Breakdown of loans by customer groups (EUR 1,000)			
Customer group	31.12.2020	31.12.2019	muutos %
Retail customers	6,733,185	6,557,720	2.7 %
SME corporate customers	1,843,362	1,655,155	11.4 %
Agricultural and other customers	753,845	762,340	-1.1 %
Total	**9,330,392**	**8,975,216**	**4.0 %**

The mortgage lending was EUR 5,837.8 million at the end of 2020 (5,675.7) with growth of 2.9 % during the year (3.6).

The lending to the retail customers is mainly granted against residential collateral and, where necessary other collateral types are used.

The lending to the retail customers is operated via the balance sheets of the Savings Banks excluding the Visa credit cards operated by Central Bank of Savings Banks.

The credit portfolio has mainly well-guaranteed contracts and the large part of portfolio has excess guarantees. The lending to the retail customers is mainly granted against residential collateral and, where necessary other collateral types are used. The share of collateral shortfall is on average 5.2 % for retail and 5.9 % corporate customers.

The table below shows the exposures of customer groups divided into the stages 1, 2 and 3 according to the IFRS 9 -standard.

	Stage 1		Stage 2		Stage 3		Total	
Customergroup (EUR 1,000)	Exposure €	Collateral shortfall %	Exposure €	Collateral shortfall %	Exposure €	Collateral shortfall %	Exposure €	Collateral shortfall %
Retail customers	6,376,139	5.2 %	242,793	3.6 %	114,253	12.8 %	6,733,185	5.2 %
Corporate customers	1,681,973	5.5 %	103,346	7.5 %	58,043	12.7 %	1,843,362	5.9 %
Other	694,293	23.1 %	28,719	19.5 %	30,833	40.3 %	753,845	23.6 %
Total	**8,752,405**	**6.7 %**	**374,858**	**5.9 %**	**203,129**	**16.9 %**	**9,330,392**	**6.9 %**

Retail portfolio

The credit worthiness of a retail customer is based on the local Savings Banks' comprehensive customer knowledge and the assessment of the customers' ability to pay. The credit decision is mainly based on the customers' sufficient repayment ability. The customers' ability to pay, the credit scoring of the application together with the loan-to-value ratio forms the basis for the credit decision and the risk-based pricing.

Following the adoption of IFRS 9 Financial Instruments, liabilities are categorised into nine risk categories. The table below shows the exposures of retail clients by risk classes divided into the stages 1, 2 and 3.

Retail exposures by rating distribution

31.12.2020 (EUR 1,000)						% of portfolio	
Description	12 m PD	Stage 1	Stage 2	Stage 3	Total	31.12.2020	31.12.2019
1 Excellent	0 % - 1.67 %	548,666	2,507	26	551,199	8.2 %	7.7 %
2 Good	0.09 %	1,492,241	9,189	868	1,502,298	22.3 %	21.7 %
3 Good	1.09 %	2,027,587	30,675	3,345	2,061,607	30.6 %	30.4 %
4 Average	1.07 % - 1.68 %	1,513,723	51,542	4,406	1,569,671	23.3 %	23.6 %
5 Average	1.69 % - 2.78%	598,049	59,652	6,236	663,937	9.9 %	10.3 %
6 Weak	9.19 %	130,732	33,961	6,536	171,229	2.5 %	2.9 %
7 Past due but not impaired	11.42 % - 24.55 %	58,121	49,268	25,310	132,699	2.0 %	2.7 %
8 Past due but not impaired	19.09 % - 34.35 %	6,922	5,913	10,047	22,882	0.3 %	0.6 %
D Non-performing	100 %			57,662	57,662	0.9 %	0.1 %
Total		**6,376,041**	**242,707**	**114,436**	**6,733,184**	**100.0 %**	**100.0 %**

The decrease in the number of Phase 2 exposures was influenced by reducing the performing status from 12 months to> 3 months.

Credit ratings of the retail customers are mainly good. The growth in private customers' credit portfolio is in the better credit ratings (1-4). Correspondingly, compared to the reference period, the amount of exposures in lower credit ratings (5-8) have decreased. The increase in D-rated exposures is caused by a change in the calculation.

Corporate portfolio

In corporate lending the Savings Banks targets at the micro and small businesses, self-employed entrepreneurs, forestry and agricultural customers that are mainly located within the operating area of Savings Banks.

The credit risk management for these corporate, forestry, and agricultural customers are based on the customer adviser's customer analysis and internal credit rating.

For corporate customers the credit decisions and risk-based pricing of the credit are based on the analysis of customers' financial statements, customers' financial position, ability to pay, competitive positioning, credit scoring of the application and the loan-to-value ratio of the application. Additionally, the impact of intended investment on the customers' financial position is evaluated.

Self-employed entrepreneurs and sole traders are mainly classified as part of the retail exposures. Exception to this reclassification are those customer relationships where specific competences are required, in these cases the customer is included in the corporate customer group. Corporate customers include limited liability companies, joint-stock companies and limited partnerships, associations and public entities.

Following the adoption of IFRS 9 Financial Instruments, liabilities are categorised into nine risk categories. The table below shows the exposures of corporate clients by risk classes divided into the stages 1, 2 and 3.

Corporate exposures by rating distribution

31.12.2020 (EUR 1,000)						% of portfolio	
Description	12 m PD	Stage 1	Stage 2	Stage 3	Total	31.12.2020	31.12.2019
1 Excellent	0.22 % - 1.67 %	505,043	6,463	1,613	513,119	19.8 %	20.7 %
2 Good	0.09 % - 0.18 %	643,885	12,292	314	656,492	25.3 %	21.5 %
3 Good	1.09 % - 1.95 %	338,722	5,995	283	345,000	13.3 %	13.1 %
4 Average	1.07 % - 2.25 %	552,079	30,496	9,223	591,798	22.8 %	23.4 %
5 Average	2.78 % - 6.72 %	234,972	50,268	7,772	293,012	11.3 %	12.6 %
6 Weak	9.19 % - 12.45 %	85,150	12,821	4,547	102,518	3.9 %	5.4 %
7 Past due but not impaired	11.42 % - 25.25 %	15,154	12,421	9,138	36,713	1.4 %	2.3 %
8 Past due but not impaired	19.09 % - 38.59 %	1,261	1,307	4,945	7,514	0.3 %	0.4 %
D Non-performing	100 %			51,041	51,041	2.0 %	0.6 %
Total		**2,376,266**	**132,063**	**88,879**	**2,597,207**	**100.0 %**	**100.0 %**

The decrease in the number of Phase 2 exposures was influenced by reducing the performing status from 12 months to > 3 months.
Comparison figures for 2019 have been corrected to include not only corporate customers, but agriculture and other customers as well.

Number of housing cooperatives has significantly increased during the year 2020. This has an influence on both better rating distribution of corporate exposures and low increase in expected credit loss compared to portfolio increase. The growth in the corporate credit portfolio is in the lower risk categories (1-4). Correspondingly, exposures in the higher risk categories (5-8) have decreased. The increase in D-rated exposures is caused by a change in the calculation.

Concentration risks

The credit risk concentrations referred to in the credit risk strategy may arise when the loan portfolio contains large amounts of loans and other exposures to the following:

- Single counterparty
- Groups consisting of single counterparties and their interest groups
- Certain industries
- Against certain collateral
- With identical maturity
- Same product/instrument

The total amount of credit granted by the Savings Banks Amalgamation or an individual member credit institution to a single customer and/or customer group must not exceed the maximum amounts set in the Credit Institutions Act or other acts, or the regulations given by the Financial Supervisory Authority or other regulatory authority. The concentration risks caused by an individual counterparty are restricted with limits and guidelines related to the maximum customer exposure, both on the Savings Banks Amalgamation and the member credit institution levels. The Savings Banks Amalgamation does not have any large exposures, which would be exceed the limit of 10 % of group's own assets set by EU capital adequacy regulation.

The largest counterparties of the Savings Banks Amalgamation are various government papers and derivate counterparties due to maintain the liquidity reserves. The 20 largest exposures are together 1.7 % (1.8 %) of the total lending portfolio. The largest industries in the corporate portfolio are real estate and construction, which are 12.4 % (11.0 %) of the total loan portfolio.

Corporate exposures by industry

Industry (EUR 1,000)	31.12.2020	31.12.2019
Basic industries, fisheries and mining	6.6 %	6.4 %
Industry	5.2 %	5.7 %
Energy, water and waste disposal	0.8 %	0.9 %
Construction	8.9 %	9.0 %
Trade	7.2 %	7.0 %
Hotels and restaurants	3.2 %	2.9 %
Transport	2.7 %	2.9 %
Financing	1.6 %	1.6 %
Property	53.5 %	53.2 %
Research, consulting and other business service	5.6 %	5.8 %
Other services	4.9 %	4.6 %
Total	**100.0 %**	**100.0 %**

Certain concentration risks arise from the local and regional operative model of the Savings Banks. At the Savings Banks Amalgamation level single counterparty concentration risks are also managed with risk limits and thresholds set, monitored and reported for certain industries.

Market risk

Market risks in banking activities arise from the banking books of the member credit institutions consisting of lending and borrowing, wholesale market funding and investment and liquidity portfolios.

In general, market risk refers to the impact of a change in market prices on the market value of financial assets and liabilities. The most important market risk in banking activities is the interest rate risk in the banking book, which is measured through both net present value and net interest income. The principles of managing interest rate risk in the banking book are described below in the section "Interest rate risk in the banking book."

The member credit institutions of the Savings Banks Amalgamation do not, as a rule, engage in trading for own or customers' account.

The use of derivatives is limited to hedging purposes. A member credit institution may have a so-called small trading book as defined in article 94 of the EU capital adequacy regulation. In accordance with the definition, the size of the credit institution's on- and off-balance sheet trading-book business is, based on a monthly assessment based on the figures on the last day of the month, less than 5% of the institution's total assets and less than EUR 50 million.

Investment and liquidity portfolios

The market risk in the investment and liquidity portfolios consists of the investments' price, interest rate and currency risks. Changes in stock prices, interest rates and exchange rates affect the value and yield of the investment portfolio. The market risk in the investment portfolio is measured and followed by investment class, counterparty and sector. The investment portfolio's development and largest counterparties are reported on a regular basis to the Board of Directors and the Risk Committee.

The risks in the investment and liquidity portfolios have managed by diversifying the investments by investment class, counterparty, sector and geography.

The table below shows the diversity of investment portfolio by asset classes.

Investment portfolio *	31.12.2020		31.12.2019	
(EUR 1,000)	Fair value	Share (%)	Fair value	Share (%)
Debt securities	704,293	57.8 %	706,135	59.2 %
Other securities	5,359	0.4 %	2,313	0.2 %
Shares	42,668	3.5 %	41,961	3.5 %
Share funds	50,251	4.1 %	50,161	4.2 %
Mixed funds	0	0.0 %	2,342	0.2 %
Interest funds	216,251	17.8 %	244,603	20.5 %
Hedge funds	0	0.0 %	0	0.0 %
Structured investments	6,156	0.5 %	7,742	0.6 %
Other investments	125,575	10.3 %	73,863	6.2 %
Properties	67,538	5.5 %	64,610	5.4 %
Total	**1,218,091**	**100 %**	**1,193,730**	**100 %**

*Classification of one fund changed from interest funds to other investments.

Table below shows investment portfolio risk sensitivity to different risk factors and their effect on income and own funds.

Risk factor (EUR 1,000)	Chg %	31.12.20	31.12.19	Income *	Own funds*
Interest rates	+ 1%	31,692	-32,087	-7,823	-31,434
Share prices	-10 %	-9,292	-9,446	-9,292	-9,292
Property values	-10 %	-6,754	-6,461	-	-
Structured investment value	-10 %	-616	-774	-616	-616
Other investment value	-10 %	-12,558	-7,386	-12,558	-12,558

* Risk factor effect on income and own funds.

Equity risk arises primarily from the liquidity and investment portfolios of member credit institutions. Unlisted equity holdings consist mainly (82 %) of intra group holdings that are not part of the Savings Banks Amalgamation.

Equity portfolio (EUR 1,000)	31.12.2020	31.12.2019
Listed shares	9,143	10,652
Unlisted shares	33,525	32,016
Total	**42,668**	**42,668**

Currency risk refers to the impact of changes in foreign exchange rates on the bank's result or own funds. Minor foreign exchange risk may arise from the notes and coins in currencies, fund investments in the investment portfolio and the payments transactions handled by Central Bank of Savings Banks. Open currency risk is not allowed in deposits from the customers or in the liquidity buffer of the member credit institutions. The currency position of a member credit institution is monitored with capital adequacy calculation method (capital need is calculated if the total net currency position is more than 2% of credit institutions total own funds).

Commodity risk refers to the impact of changes in commodity prices. The business, including investment activities, of the member credit institutions of the Savings Banks Amalgamation does not involve commodity risk taking.

Market risk management

Limits and thresholds have been set for market risk applicable to both individual member banks and the amalgamation.

The member credit institution and Amalgamation level capital adequacy management process (ICAAP), which allocates capital to cover market risks of the banking book in normal and stress scenarios, is also an important tool in measuring and monitoring market risks included in the banking book.

Interest rate risk in the banking book

The Savings Banks Amalgamation's key market risk is the interest rate risk in the banking book, which is monitored using both present value risk and income risk. The business of the Savings Banks Amalgamation consists of retail banking, involving an intrinsic interest rate risk. Interest rate risks arise from the banking books of member credit institutions, consisting of lending and deposits, wholesale market funding and investment portfolio. The trading books of the member credit institutions are so-called small trading books, defined in the capital adequacy regulation, with insignificant interest rate risk positions.

Interest rate risk refers to the adverse effect of interest rate changes on the market value (present value risk) or on the net interest income (income risk) of the balance sheet and off-balance sheet items.

The purpose of the management of interest rate risks is to stabilize the net interest income and present value at a level where the Savings Banks Amalgamation's business is profitable and to limit their fluctuations without threatening the capital adequacy even by severe changes in the interest rate environment. The Savings Banks Amalgamation's appetite for interest rate risk is described by the interest rate limits set by the Board of Directors of the Central Institution.

It is possible to manage interest rate risk by modifying the product and balance sheet structure, by planning the interest rate structure and maturities for investments and issued funding and by hedging with interest rate derivatives.

Member Savings Banks of the Savings Banks Amalgamation use interest rate derivatives such as options and swaps actively in hedging their balance sheets. Interest rate risk of derivatives is monitored separately both in present value and income risk calculations.

The Savings Banks Amalgamation's interest rate risks are measured using both the net interest income and the change in the present value of the balance sheet of the Savings Banks Amalgamation. The net present value method measures the change of the net present value of the balance sheet resulting from a change in interest rates when each balance sheet item is valued as the present value of its cash flows. The income risk model predicts the future net interest income over one year with changing market interest rates.

The table below shows the next 12 month's net interest income's sensitivity to a 1-percentage point's parallel shift in the interest rate curve. A 0% floor is applied to loan reference interest rates based on loan contract provisions. Also, retail deposits are assumed to have a 0% interest rate floor. Balance sheet structure is kept static by rolling over maturing items with corresponding interest rates or corresponding maturities for fixed rate items. Demand deposits are assumed to have a modelled maturity structure.

Net interest income sensitivity 1 % -point parallel shift in the interest rate curve

(EUR 1,000)	Change in net interest income			
	31.12.2020		31.12.2019	
Period	Down	Up	Down	Up
Change in the coming 12 months	506	14,924	2,128	17,101
Change in 12-24 months	5,226	29,148	8,258	39,204

Liquidity risk

Liquidity risk is the risk that the bank is unable to meet its present or future expected or unexpected obliga-tions as they come due or is unable to do so without incurring unacceptable losses. The Savings Banks Amalgamation's business is retail banking where deposits are used to fund loans to customers.

On 31 December 2020 the Savings Banks Amalgamation held 1,550 (1,033) million euros (before haircuts) of LCR eligible liquid assets of which 76 % (68 %) were notes and coins and reserves held in the Bank of Finland, 12 % (20 %) were level 1 assets issued by governments and multinational organizations and 12 % (12 %) were other liquid assets. The Savings Banks Amalgamation's LCR was 196 % (148 %) on 31 December 2020.

The table below presents the maturity profiles of the Savings Banks Amalgamation's assets and liabilities. Demand deposits are assumed to mature overnight.

Assets 2020 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Cash and central bank reserves	1,183,519	1,183,519			
Central bank eligible debt securities	448,423	6,227	7,233	277,607	157,357
Receivables from financial institutions	109,060	109,060			
Receivables from customers and public entities	9,284,076	138,815	942,196	2,823,388	5,379,678
Other debt securities	265,645	10,163	13,428	199,306	42,748
Equity and shares	432,369				432,369
Other assets	375,377	854	177,892	22,995	173,636
Assets total	**12,098,470**	**1,448,638**	**1,140,749**	**3,323,296**	**6,185,788**

Liabilities 2020 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Due to credit institutions and central banks	389,879	139,036	165,773	69,110	15,960
Amounts owed to customers and public entities	7,784,754	7,319,338	400,889	64,409	118
Debt securities in issue	2,626,632	319,477	641,453	955,124	710,577
Subordinated liabilities	29,136	3,390	13,343	12,403	
Other liabilities	151,172	150,693	210	269	
Liabilities total	**10,981,572**	**7,931,934**	**1,221,668**	**1,101,315**	**726,654**

Derivatives, net cash flows	83,791	7,147	14,199	51,919	10,528

Derivatives settled on a gross basis have no relevant liquidity effect due to their small position.

Assets 2020 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Cash and central bank reserves	683,111	683,111			
Central bank eligible debt securities	404,931	6,281	35,713	177,864	185,073
Receivables from financial institutions	107,775	107,775			
Receivables from customers and public entities	8,906,909	250,573	913,686	2,674,343	5,068,306
Other debt securities	308,949	14,690	34,474	215,787	43,998
Equity and shares	410,247				410,247
Other assets	259,594	248	68,616	31,305	159,424
Assets total	**11,081,515**	**1,062,679**	**1,052,489**	**3,099,299**	**5,867,049**

Liabilities 2020 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Due to credit institutions and central banks	242,011	64,652	59,779	108,889	8,690
Amounts owed to customers and public entities	6,812,283	6,173,892	550,095	86,843	1,454
Debt securities in issue	2,755,856		634,076	2,071,873	49,908
Subordinated liabilities	51,020		22,125	26,522	2,373
Other liabilities	136,591	132,756	2,408	937	489
Liabilities total	**9,997,761**	**6,371,300**	**1,268,483**	**2,295,064**	**62,914**

Derivatives, net cash flows	71,419	5,795	17,295	43,021	5,308

Derivatives settled on a gross basis have no relevant liquidity effect due to their small position.

Liquidity risk management

The Board of Directors of the Savings Banks Amalgamation's Central Institution has the overall responsibility for Savings Banks Amalgamation's liquidity strategy, setting risk appetite and management procedures related to the identification, measurement, mitigation, monitoring and control of liquidity risk. The Board of Directors of the Central Institution approves the liquidity risk strategy, the funding plan and the contingency funding plan.

The Central Bank of Savings Banks is responsible for the operational implementation of the Savings Banks Amalgamation level liquidity strategy, which includes drafting and maintaining the operational level guidelines. Treasury is also responsible for the operational level implementation and testing of the contingency funding plan. The Treasury manages the liquidity reserve and is responsible for ensuring that its size is within set limits. An agreement has been signed between the member Savings Banks and the Central Bank of Savings Banks that gives the Central Bank of Savings Banks the right to use all liquid assets in the Savings Banks Amalgamation to support the Savings Banks Amalgamation's liquidity.

The Savings Banks Amalgamation's Asset and Liability Committee prepares and plans the liquidity strategy for the Board of Directors of the Central Institution and monitors the strategy's implementation at the Savings Banks Amalgamation level.

The Risk Control unit of the Central Institution is responsible for the independent monitoring of the Savings Banks Amalgamation level limits and thresholds set in the liquidity strategy and their reporting to the Central Institution's management, Asset and Liability Committee, Risk Committee and the Board of Directors.

The key tools in monitoring liquidity risk at the Amalgamation level are cash position, liquidity reserve and LCR. The Financial Supervisory Authority has granted permission to the Central Institution of the Savings Banks 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 Savings Banks Amalgamation's member credit institutions.

Structural liquidity risk

The Treasury monitors the structural liquidity risk of the Savings Banks Amalgamation on a monthly basis. The risk is measured using NSFR, the lending/deposit ratio and a gap analysis on a 10-year-horizon, measuring the suitability of the Savings Banks Amalgamation's funding structure for funding the balance sheet assets in the long run. The gap analysis assumes that the wholesale funding matures without refinancing.

Real estate risk

Real estate risk arises when the prices on the real estate market or rent levels fall and thus the Savings Banks Amalgamation receives lower returns on its real estate investments. Real estate investments are not core business in banking segment. In the Amalgamation real estate investments are secured with full value insurance. Property, plant, equipment, and investment property have measured at cost less depreciation and impairment. The book values and measurement at cost are described more detail in the note investments assets.

Operational risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, personnel, systems or external factors. Legal risks are also included in the operational risks. The various stages of lending and trading processes also involve operational risks as well credit, liquidity and market risks, which have assessed in the evaluation of operational risks at the Group and Amalgamation level. Strategic risks have here excluded from operational risks.

The Savings Banks Amalgamation's operations comply with the current legislation, government regulations, the rules of good banking practices as confirmed by the Federation of Finnish Financial Services and the principles of the management of operational risks, along with other internal guidelines of the Savings Banka Amalgamation.

The Board of Directors of the Savings Banks Amalgamation's Central Institution has the overall responsibility for Savings Banks Amalgamation-level operational risks and for defining risk levels and operational risk management procedures related to their identification, measurement, mitigation, monitoring and control. The Board of Directors of the Central Institution approves the principles and key operational guidelines of the operational risk management in the Savings Banks Amalgamation.

The Savings Banks Amalgamation has identified the operational risks associated with the most important products, services, operations, processes and systems. Identifying operational risks helps determine their monitoring and controls. Some of the losses caused by operational risks are covered by insurance. The continuity plans of member banks and product and service companies help prepare for significant interruptions in operations.

Within the Savings Banks Amalgamation, operational risks, realised losses and near misses are regularly reported to the management.

Legal risks

Legal risks refer to risk of loss due to an invalid contract or incomplete documentation and the risk of sanc-tions, liability to compensate customers and loss of goodwill due to non-compliance with laws or official regulations. The Savings Banks Group comply with standard terms worked out jointly by the banking and insurance industry. When finalising non-standard agreements, legal services are used, and external experts are consulted when needed.

Compliance function has been established to ensure that Savings Banks Amalgamation comply with regula-tions and internal guidelines. Compliance function's responsibility is to ensure that the Savings Banks Amal-gamation comply with laws, regulations and guidelines. Compliance function also ensures that the Savings Banks Amalgamation comply with its own internal guidelines, ethical principles for personnel and other instructions.

Business risk

Business risk describes the impact of uncertainties caused by the operating environment on Savings Banks Group's business. Business risks arise from competition, from changes in markets and customer behavior as well as from unexpected income fluctuations. Business risks can also arise by choosing a wrong strategy, ineffective management or slow response to changes in the operating environment. The strategic and business planning are the tools to manage and minimize the business risks at the Savings Banks Group and Savings Banks Amalgamation level.

Asset Management and Life insurance

Asset Management

In the Savings Banks Group, Sp-Fund Management Company Ltd engages in the management of fund products and the production of asset management services in terms of both the management of Savings Banks' own portfolios and for the customers of Savings Banks.

Fund capital managed by Sp-Fund Management Company totaled EUR 3,594.5 million (EUR 3,201.7) million). The total number of investment funds managed at the end of 2020 was 22 investment funds and 11 special investment funds.

Life insurance

The most significant risks in life insurance concern insurance contracts and investment operations. The risks related to insurance contracts are the insurance risk, the interest rate risk and the expense risk. The technical bases applied to life insurance products in accordance with the Insurance Companies Act are prudent which means that, under normal conditions, the pricing in accordance with the technical bases produces surplus for the company.

Profitability of life insurance

(EUR 1,000)	31.12.2020			31.12.2019
	Risk premiums	Claims incurred	Claims ratio	Claims ratio
Risk insurance	3,773	2,472	65.5 %	44.3 %
Savings and pension insurance	27,402	26,381	96.3 %	95.1 %
Total	**31,175**	**28,853**	**92.6 %**	**88.6 %**

Insurance risk

The most significant insurance risks have linked to pure risk products. These products include loan insurance, which covers death, permanent disability and accidental permanent disability. Such risks have managed by the insurance terms and conditions, careful selection of risks, correct pricing and reinsurance. In permanent disability and in accidental permanent disability insurance, it is possible to increase the contributions for the existing insurance portfolio when the claims ratio weakens. In terms of the selection of risks, we have determined clear grounds for taking insurance risks. The company follows in the risk selection process instructions prepared by the reinsurer.

The sum insured exceeding certain level have reinsured and the existence of the reinsurance cover is dependent on continuous compliance with the existing instructions. The Board of Directors confirms the principles of reinsurance and the excess annually. In the same context, the credit risk related to the reinsurer is assessed.

Interest rate risk

The interest rate risks of life insurance are related to either the interest rate credited for contracts or then the interest rate credited for technical provisions. In savings products, the company uses a combination of annual interest and additional interest confirmed annually. This enables adaptation to current market situations by annually adjusting the interest rate credited to customers on market terms. This significantly reduces the interest rate risk incurred from insurance contracts. According to the principle of reasonableness, the company shall seek balanced income for contracts with guaranteed interest. The company has prepared for this by interest supplements.

Expense risk

The company's products have priced in terms of the expense loadings received from the products to cover the expenses incurred. The expense loadings have dimensioned based on product lifecycle thinking, whereby the expense loadings received from the contracts have allocated over the entire lifetime of the contract. With regard to life insurance, company analyses the profitability of insurance products at least once a year, based on which the premiums and loading of the insurance policies granted is assessed. The analysis indicates the sufficiency of the risk premiums received to cover the claims incurred, the sufficiency of the expense loadings to cover the expenses and the compatibility of the interest paid with the investment income received. By means of the analysis, company annually monitors the sufficiency of the pricing by insurance product and takes the necessary corrective steps.

Sensitivity analysis of technical provisions

The insurance portfolio includes risk insurances and savings insurances. Risk insurance policies are life insurance policies linked to loans granted by sales channels, the related cover of which may include permanent disability or accidental permanent disability insurance policies. Savings insurance policies include endowment policies, pension and group pension insurance policies and capitalization agreements. The company does not have the possibility to affect the premiums for, or other terms and conditions of, already granted insurance policies materially.

Risk insurance policies have related to mortality and disability risks. This risk is managed by the appropriate selection of risks, profitability of business-related underwriting risk and reinsurance. The largest insured-specific sum insured on company own responsibility is currently EUR 150,000 with regard to both life and disability risks. In addition, the company has catastrophe cover, which restricts the maximum amount of damage incurred from one loss event to EUR 500,000.

The majority of the savings insurance base is unit-linked, but all insurance contracts include an option to transfer the savings between the unit-linked and the guaranteed interest savings part. In recent years, this option has been used so that net savings have been transferred from the guaranteed interest savings part to the unit-linked part. Savings insurance policies include a surrender option, which is restricted by terms and conditions during the first three years of the contracts. In addition, any surrender is restricted by tax legislation with regard to pension insurance. The majority of endowment insurance policies end with surrender, and it is taken into account in the lifecycle of the contract. The third uncertainty factor related to savings insurance policies is the right of the policyholder to change the payment plan of the insurance. Changes to the payment plan have not been restricted in the terms and conditions.

The guaranteed interest savings insurance policies have discounted using a contract-specific interest rate, which is not a market rate. The contract-specific interest rate varies between 0 % and 0.5 %.

In 2020, it was an average of 0.13 %. EUR 10.1 million has been reserved for future discretionary bonuses included in technical provisions, which is estimated to cover 80 per cent of the future discretionary bonuses during the next ten years.

Risks of investment operations

The objective of the investment operations of life insurance is to achieve the best possible continuous income at an acceptable risk level, while at the same time securing the company's capital requirements and the compatibility of the structure of assets and liabilities. The most significant risks are the decline in the value of investments, an insufficient level of returns for the requirements set by technical provisions and the reinvestment risk of investment assets falling due. Risks have managed by efficient diversification, while at the same time taking into account the regulation related to assets covering technical provisions. The value of the assets covering technical provisions shall continuously be as large as the amount to be covered according to the provisions of the Insurance Companies Act.

Distribution of investment assets

Type of investment (EUR 1,000)	31.12.2020	31.12.2019
Bonds		
Bonds		2,108
Fixed-income funds	107,460	114,855
Shares, Developed markets		
Shares	13,081	14,639
Equity funds	26,689	21,170
Structured investments	936	2,124
Hedge funds	354	15
Real estate	0	0
Real estate funds	10,445	14,838
Bank receivables in investments	4,328	5,582
Derivatives	0	0
Total	**163,292**	**175,331**

Interest rate risk

Bond and fixed income fund investments according to modified duration

Modified duration (EUR 1,000)	31.12.2020	Share	31.12.2019	Share
0 - 1	23,383	22 %	16,899	14 %
1 - 3	19,078	18 %	27,779	24 %
3 - 5	27,036	25 %	25,394	22 %
5 - 7	14,251	13 %	16,198	14 %
7 - 10	10,782	10 %	10,763	9 %
10 -	12,919	12 %	19,928	17 %
Total	**107,449**	**100 %**	**116,961**	**100 %**

Counterparty risk

Bonds and structured loans according to maturity and credit rating

Credit rating	Maturity						31.12.2020		31.12.2019	
	0 - 1	1 - 3	3 - 5	5 - 7	7 - 10	10 -	Total	Share	Total	Share
AAA	709	-767	990	753	1,386	2,710	5,781	5 %	3,799	3 %
AA	2,203	3,679	782	2,227	830	2,983	12,703	12 %	15,202	13 %
A	2,106	4,927	5,390	3,630	3,729	4,636	24,416	23 %	15,859	14 %
BBB	3,861	1,629	3,845	3,059	2,201	2,445	17,040	16 %	29,590	25 %
< BBB	4,252	1,380	3,152	3,580	1,774	1,777	15,915	15 %	23,342	20 %
Unclassified	16,206	2,662	6,277	5,094	1,812	489	32,540	30 %	29,170	25 %
Total	**29,337**	**13,510**	**20,434**	**18,343**	**11,733**	**15,039**	**108,396**	**100 %**	**116,962**	**100 %**

Currency risk

Investments by currency

Currency (EUR 1,000)	31.12.2020	Osuus	31.12.2019	Share
EUR	147,911	91 %	162,059	92 %
USD	6,324	4 %	6,664	4 %
GBP	1,431	1 %	1,255	1 %
Others	7,627	5 %	5,353	3 %
Total	**163,292**	**100 %**	**175,331**	**100 %**

Fund investments in euro-hedged funds have classified to be euro-denominated. The currencies in other funds have based on the quotation currencies of the securities included in the fund.

To protect parts of investment assets, it is also possible to use derivatives for hedging purposes, as necessary. The investment risk is monitored through sensitivity analyses and through the value-at-risk technique. Issuer manages the credit risk of investment operations and counterparty limits.

Sensitivity analysis

(EUR 1,000)		Change in own funds	
Risk factor	Change	31.12.2020	31.12.2019
Interest	+1%-point	-815	-1,960
	-1%-point	-1,797	-982
Share	-10 %	-3,951	-3,977
Real estate	-10 %	-1,045	-1,045
Currency	Others/Euro -10%	-1,538	-1,538
Structured loans	-10 %	-93,628	-94

PROFIT FOR THE PERIOD

NOTE 6: 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 7: 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 8: 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 9: 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 10: 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**

Premiums written (EUR 1,000)	1-12/2020	1-12/2019
Premiums written from insurance contracts		
Premiums written from risk insurance contracts		
Risk insurance	12,170	10,482
Total	12,170	10,482
Premiums written from insurance contracts with entitlement to discretionary portion of surplus		
Savings insurance	958	1,384
Voluntary pension insurance	350	391
Voluntary group pension insurance	41	51
Total	1,348	1,827
Premiums written from unit-linked insurance contracts		
Savings insurance	54,891	52,261
Voluntary pension insurance	4,171	4,304
Voluntary group pension insurance	1,357	904
Capitalization agreement		10,843
Total	60,419	68,312
Total	**73,938**	**80,621**
Premiums written from investment contract		
Premiums written from unit-linked investment contracts	31,300	21,985
Total	**31,300**	**21,985**
Total premiums written	**105,238**	**102,606**

Term insurances include regular premium endowment policies, where the payments are charged from customers annually. Other insurances comprise flexible premium endowment policies. The policyholder can make payment plans or abnormal payments to those insurances. The policyholder may change their payments freely.

*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**

Benefits paid (EUR 1,000)	1-12/2020	1-12/2019
Benefits paid from insurance contracts		
Benefits paid from insurance contracts	-1,188	-1,859
Benefits paid from insurance contracts entitling to discretionary portion of surplus		
Savings insurance		
Maturities	-195	-160
Death benefits	-6,397	-6,666
Surrenders	-2,780	-5,458
Total	-9,371	-12,284
Personal pension insurance		
Annuities	-803	-747
Death benefits	-16	-95
Surrenders	-47	-47
Total	-865	-890
Group pension insurance		
Annuities	-203	-150
Death benefits		-3
Surrenders	-2	-2
Total	-204	-152
Capital redemption contracts		
Maturities		
Surrenders		-5,638
Total		-5,638

Benefits paid (EUR 1,000)	1-12/2020	1-12/2019
Benefits paid from unit-linked insurance contracts		
Savings insurance		
Maturities	-649	-457
Death benefits	-11,183	-13,170
Surrenders	-23,749	-38,207
Total	-35,581	-51,834
Voluntary pension insurance		
Annuities	-1,773	-1,486
Death benefits	-111	-85
Surrenders	-692	-792
Total	-2,577	-2,363
Voluntary group pension insurance		
Annuities	-108	-105
Surrenders	-3	-5
Total	-111	-110
Total benefits paid from insurance contracts	**-49,898**	**-75,401**
Benefits paid from investment contracts		
Death benefits	-8,662	-955
Surrenders	-19,073	-18,602
Total	-27,735	-19,557
Total benefits paid from investment contract	**-27,735**	**-19,557**
Total direct insurance	**-77,633**	**-94,959**
Total benefits paid	**-77,633**	**-94,959**

Change in insurance contract liabilities

Change in liabilities for insurance policies 2020 (EUR 1,000)	Provsion 1 Jan 2020	Premiums	Claims, part of deposit	Claims, part of risk	Interest and changes in fair value	Other charges and credits	Other items	Provision 31 Dec 2020
Other than unit-linked contract liabilities								
Insurance liability discounted with interest rate guarantee	91,887	1,348	-10,441	-34	1,205	-660	382	83,688
Bonus reserves	10,077						-637	9,440
Reserve for decreased discount rate	3,929						-207	3 723
Reserve for increased operating costs	2,670						-1,231	1,439
Risk insurance liability	1,141	12,170		-1,150	1	-12,151	946	957
Unit-linked contract liabilities								
Liabilities for unit-linked insurance contracts	534,454	28,268	-37,359	-4	38,521	-3,649	-34,152	526,079
Liabilities for unit-linked investment contracts	244,540	63,541	-28,645		18,128	-2,355	33,479	328,688
Reserve arising from liability adequacy test								
Total	**888,699**	**105,328**	**-76,445**	**-1,188**	**57,855**	**-18,814**	**-1,420**	**954,013**

Change in liabilities for insurance policies 2019 (EUR 1,000)	Provsion 1 Jan 2019	Premiums	Claims, part of deposit	Claims, part of risk	Interest and changes in fair value	Other charges and credits	Other items	Provision 31 Dec 2019
Other than unit-linked contract liabilities								
Insurance liability discounted with interest rate guarantee	103,792	1,384	-13,329	-30	1,339	-740	-864	91,877
Bonus reserves	7,825						2,252	10,077
Reserve for decreased discount rate	3,850						79	3,929
Reserve for increased operating costs	4,417						-1,747	2,670
Risk insurance liability	1,538	10,482		-1,814	1	-10,477	1,410	1,141
Unit-linked contract liabilities								
Liabilities for unit-linked insurance contracts	472,591	32,064	-53,002	-15	66,619	-3,714	20,245	534,454
Liabilities for unit-linked investment contracts	204,712	58,674	-26,497		29,057	-2,355	-19,051	244,540
Reserve arising from liability adequacy test								
Total	**798,725**	**102,604**	**-92,828**	**-1,859**	**97,016**	**-17,285**	**2,325**	**888,699**

NOTE 11: INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS

(EUR 1,000)	1-12/2020	1-12/2019
Interest income on		
Classified at amortised cost	147,483	146,668
Fair value through other comprehensive income	10,906	12,518
Total interest income arising from financial assets not measured at fair value through profit or loss	**158,389**	**159,187**
Financial assets at fair value through other comprehensive income		
Dividend income	19	82
Reclassified from OCI	991	1,622
Financial assets at fair value through profit or loss		
Interest income	24,649	27,463
Dividend income	3,685	3,329
Change in fair value, net	16,772	33,570
Cash flow hedges - ineffective portion of changes in fair value	-83	65
Cash flow hedges - reclassified from OCI		
Finance income	**204,421**	**225,318**
Financial liabilities measured at amortized cost - interest expense	-20,746	-28,651
Amortized costs investments - impairment loss	583	179
Fair value through other comprehensive financial assets - impairment loss	-4,975	-1,296
Loan receivables - impairment loss	-15,368	-7,262
Financial assets at fair value through profit or loss		
Fair value through profit or loss	-1,325	-2,868
Finance expenses	**-41,831**	**-39,898**
Net income and expenses from financial instruments	**162,590**	**185,420**

NOTE 12: 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 13: PERSONNEL EXPENSES

(EUR 1,000)	1-12/2020	1-12/2019
Wages and salaries	-75,305	-72,369
Pension expenses		
Defined contribution plans	-11,443	-12,553
Defined benefit plans	-457	-518
Other personnel related costs	-2,304	-1,788
Personnel expenses	**-89,510**	**-87,228**
Full-time	1,217	1,153
Part-time	76	92
Temporary	125	146
Total	**1,418**	**1,391**
Number of employees converted to FTEs	1,333	1,315
Average number of FTEs during the financial year	1,334	1,344

Remuneration

Pillar III information on remuneration is presented in the table below. The Remuneration policy is described in more detail in Corporate governance policies.

2020 Salaries and remuneration (EUR 1,000)	Fixed salaries	Variable renumeration
Top management	3,932	696
Risk takers	9,428	1,276
Others	55,424	4,548

2019 Salaries and remuneration (EUR 1,000)	Fixed salaries	Variable renumeration
Top management	4,208	299
Risk takers	9,719	839
Others	52,381	3,630

Remuneration is paid in accordance with the Savings Banks Group's general remuneration principles

Total salaries and remuneration by business segments

2020 (EUR 1,000)	Banking	Asset Management Services	Other	Total 2019	Total 2018
Fixed salaries	45,330	5,521	17,934	68,784	66,308
Variable remuneration	3,930	943	1,648	6,521	4,768
Number of employees	1,000	81	337	1,418	1,391

The compensation paid by the Savings Banks Group for termination of employment contracts is determined in accordance with legislation in force.

No signing bonuses have been paid to new emplyees during the financial year.

During the financial year a total of EUR 253 (447) thousand of redundance payments have been paid to 15 (16) persons.

The Savings Banks Group does not apply the provisions of Chapter 8, Sections 9, 11 and 12, of the Act on Credit Institutions to those employees whose variable remuneration for one year does not exceed EUR 50 thousand.

If the amount of variable compensation exceeds EUR 50 thousand, it is taken into account that at least half of the compensation must be effected in non-cash form.

During the financial year no salaries or remunerations have been granted that would have been postponed due to the above criteria and no postponed salaries or remunerations have been paid during the financial yearwhich would have been granted and postponed in previous financial years.

NOTE 14: OTHER OPERATING EXPENSES

(EUR 1,000)	1-12/2020	1-12/2019
Other administrative expenses		
Other personnel expenses	-4,784	-7,390
Office expenses	-8,958	-8,589
ICT expenses	-48,661	-47,150
Telecommunications	-5,149	-5,244
Representation expenses	-195	-431
Marketing	-6,343	-7,425
Other admin expenses	-448	
Payment card expenses	-9,495	-9,759
Total	**-84,032**	**-85,988**
Other operating expenses		
Rental expenses	-2,527	-2,431
Expenses arising from owner-occupied property	-5,660	-6,446
Other operating expenses**	-17,827	-16,705
Total	**-26,014**	**-25,582**
Other operating expenses	**-110,046**	**-111,569**
**** Audit fees**		
Statutory audit	-544	-448
Audit related services	-74	-93
Tax advisory		-34
Other services	-374	-326
Total	**-992**	**-902**

* The amount of other than audit services delivered by KPMG Oy Ab to the companies consolidated into the Savings Banks Group were EUR 161 (115) thousand during the financial period 2020

NOTE 15: DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(EUR 1,000)	1-12/2020	1-12/2019
Depreciation and amortisation of property, plant and equipment	-5,329	-10,348
Depreciation and amortisation of intangible assets	-10,085	-5,327
Total depreciation and amortisation	**-15,415**	**-15,675**
Impairment of property, plant and equipment	-686	-1,836
Impairment of intangible assets	-2,293	
Total impairment	**-2,978**	**-1,836**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	**-18,393**	**-17,511**

Right of use assets recognized under IFRS 16 Leases standard are presented in note 41.

NOTE 16: 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 assets	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 assets	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 items	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 assets	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**

NOTE 17: INCOME TAXES

(EUR 1,000)	1-12/2020	1-12/2019
Current tax	-14,539	-16,998
Tax for prior years	-151	-36
Change in deferred tax assets	1,758	-1,930
Change in deferred tax liabilities	-1,665	-1,642
Income taxes	**-14,597**	**-20,606**
Other direct taxes	-51	-69
Total income taxes	**-14,648**	**-20,675**

Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate

Reconciliation of effective tax rate		
Accounting profit before tax	66,740	94,807
Differences between accounting and taxable profit	4,209	-3,166
Taxable profit	**70,950**	**91,641**
Tax using the domestic corporation tax rate	-13,348	-18,961
Tax-exempt income	187	718
Non-deductible expenses	-118	-537
Unrecognised deductible expenses	602	745
Unrecognised taxable income	-1,513	-3,182
Use of approved tax losses for prior years	63	579
Recognition of previously unrecognised tax losses	-320	
Tax for prior years	-151	-36
Tax expense	**-14,597**	**-20,675**
Corporate income tax rate	**20 %**	**20 %**

More information on deferred taxes is presented in Note 27.

ASSETS

NOTE 18: 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 amortised 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**

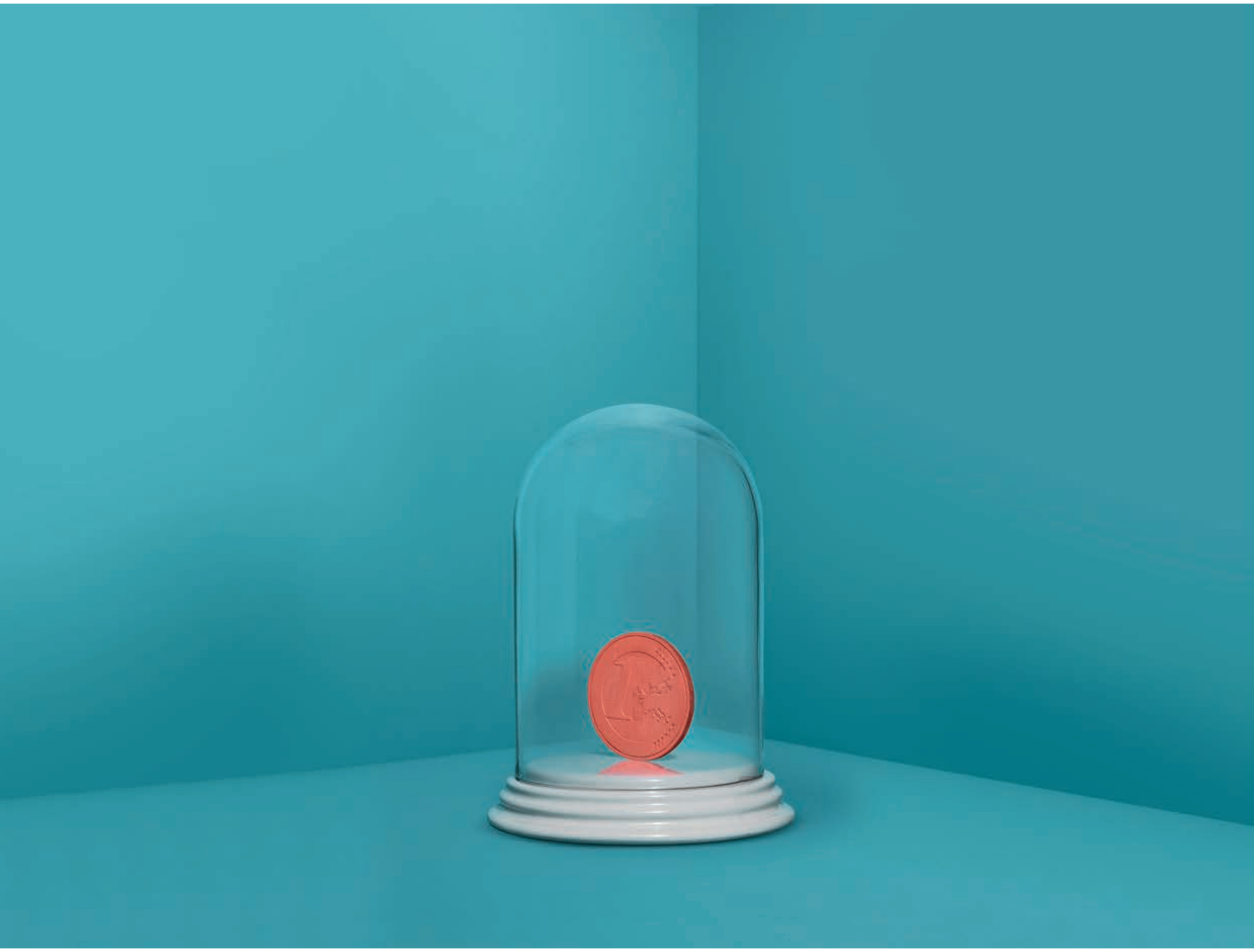
* Items at fair value through profit or loss include investments covering unit-linked contracts and related liabilities.

31.12.2019 (EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Financial liabilities at amortised 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 19: CASH AND CASH EQUIVALENTS

(EUR 1,000)	31.12.2020	31.12.2019
Cash	13,491	14,096
Receivables from central banks repayable on demand	1,170,028	666,315
Cash and cash equivalents	**1,183,519**	**680,411**



NOTE 20: LOANS AND ADVANCES

31.12.2020 (EUR 1,000)	Gross carrying amount	Provision for 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)	Gross carrying amount	Provision for 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 21: 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 22: 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 23: 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**	

NOTE 24: INVESTMENTS IN ASSOCIATES

Information on the material associates of the Group:

Name	Domicile	Sector	Ownership (%)	Share of votes (%)	Ownership (%)	Share of votes (%)
			31.12.2020	31.12.2020	31.12.2019	31.12.2019
Figure Taloushallinto Oy (Paikallispankkien PP-laskenta Oy)	Espoo	Account management and financial services	25.00	25.00	25.00	25.00

Figure Taloushallinto Oy's business sector is to provide services of financial management, payroll computation, risk management and accounting, including related training-, advisory and information services for fiancial sector organizations and their subsidiaries and center organizations. Figure Taloushallinto Oy is Savings Bank Group's associated company since 31 August 2018.

Summarised financial information about material associates based on the companies' own financial statements:	Figure Taloushallinto Oy
(EUR 1,000)	2020
Total assets	2,143
Total liabilities	-1,685
Total operating revenue	278
Profit or loss	278
Total comprehensive income	278

Reconciliation of the summarised financial information of the associate to the carrying amount in the Group's statement of financial position:

Net assets of the associate	
Adjustments	458
Oikaisut	-115

Joint arrangements

The Savings Banks Group has no material joint arrangements.

Mutual real estate companies and housing companies are treated in the Group's financial statements as joint operations. These companies include both investment properties and owner-occupied properties. Five mutual real estate companies are considered as material from the perspective of the Savings Banks Group, but their share of the Group's balance sheet is only limited.

Information about the material joint operations of the Savings Banks Group is presented below:

Name	Domicile	Ownership	Ownership
		2020	2019
Kiinteistö Oy Ikaalisten Säästökeskus	Ikaalinen	90.80 %	90.80 %
Asunto Oy Salamankulma	Turku	37.01 %	37.01 %
Kiinteistö Oy Liedon Liikekeskus	Lieto	85.70 %	85.70 %
Kiinteistö Oy Lohjan Pankkitalo	Lohja	100.00 %	100.00 %
Kiinteistö Oy Iisalmen Pohjolankatu 6	Iisalmi	100.00 %	100.00 %

NOTE 25: PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	31.12.2020	31.12.2019
Owner-occupied property		
Land and water	920	1,087
Buildings	34,503	38,485
Machinery and equipment	3,806	4,484
Other tangible assets	816	847
Advance payments and construction in progress	428	1,478
Property, plant and equipment	**40,473**	**46,381**

31.12.2020					
Changes in property, plant and equipment (EUR 1,000)	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 January	91,854	40,232	1,864	1,478	135,427
Increases	1,364	1,219	49	204	2,836
Decreases	-538	-841	-54	-25	-1,458
Transfers between items	305	64		-1,229	-860
Revaluation	151				151
Acquisition cost 31 December	**93,135**	**40,673**	**1,859**	**428**	**136,095**
Accumulated depreciation and impairments 1 January	-52,282	-35,748	-1,017		-89,046
Depreciation for the financial year	-3,913	-1,120	-27		-5,059
Decreases	-1,518				-1,518
Accumulated depreciation and impairments 31 December	**-57,712**	**-36,867**	**-1,043**		**-95,622**
Carrying amount 31 December	**35,423**	**3,806**	**816**	**428**	**40,473**

Right of use assets recognized under IFRS 16 Leases standard are presented in note 41.

31.12.2019					
Changes in property, plant and equipment (EUR 1,000)	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 January	94,514	39,220	1,819	426	135,979
Increases		1,040	63	1,051	2,154
Decreases	-2,797	-28	-18		-2,844
Revaluation	137				137
Acquisition cost 31 December	**91,854**	**40,232**	**1,864**	**1,478**	**135,427**
Accumulated depreciation and impairments 1 January	-49,195	-33,911	-981		-84,086
Depreciation for the financial year	-3,087	-1,836	-36		-4,959
Accumulated depreciation and impairments 31 December	**-52,282**	**-35,748**	**-1,017**		**-89,046**
Carrying amount 31 December	**39,572**	**4,484**	**847**	**1,478**	**46,381**

NOTE 26: INTANGIBLE ASSETS

(EUR 1,000)	31.12.2020	31.12.2019
Intangible rights	23,798	18,363
Other intangible assets	44	61
Intangible assets under development	14,867	19,038
Intangible assets	**38,709**	**37,462**

Intagible rights and intangible assets under development formed a significant part of information systems acquired from external operators.

31.12.2020				
Changes in intangible assets (EUR 1,000)	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	68,439	470	19,038	87,947
Increases	6,759		11,638	18,397
Decreases	-2,634	-17	-645	-3,295
Transfers between items	11,546		-15,164	-3,619
Acquisition cost 31 December	**84,110**	**453**	**14,867**	**99,429**
Accumulated depreciation and impairments 1 January	-50,076	-409		-50,485
Depreciation for the financial year	-10,235			-10,235
Accumulated depreciation and impairments 31 December	**-60,312**	**-409**		**-60,721**
Carrying amount 31 December	**23,798**	**44**	**14,867**	**38,709**

During the financial year, a total of EUR 2.3 million in impairment losses was recognised on intangible assets not yet available for use based on the management's estimate of the future recoverable amount of the asset not yet available for use.

31.12.2019				
Changes in intangible assets (EUR 1,000)	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	62,920	490	11,463	74,873
Increases	5,580		7,775	13,354
Decreases	-61	-20	-199	-280
Transfers between items				
Acquisition cost 31 December	**68,439**	**470**	**19,038**	**87,947**
Accumulated depreciation and impairments 1 January	-39,217	-387		-39,604
Depreciation for the financial year	-10,695	-22		-10,717
Decreases	-164			-164
Accumulated depreciation and impairments 31 December	**-50,076**	**-409**		**-50,485**
Carrying amount 31 December	**18,363**	**61**	**19,038**	**37,462**

NOTE 27: DEFERRED TAXES

(EUR 1,000)	31.12.2020	31.12.2019
Deferred tax assets	9,694	2,485
Income tax receivables	1,098	1,387
Tax assets	**10,792**	**3,873**
Deferred tax liabilities	66,156	56,540
Income tax liability	7,777	3,415
Tax liability	**73,933**	**59,955**

(EUR 1,000)	31.12.2020	31.12.2019
Deferred tax assets		
Impairments	512	392
Financial assets	3,571	2,735
Property, plant and equipment	4,250	1,463
Defined benefit pension plans	583	503
Approved tax losses	711	798
Other	110	1,307
Netting of deferred taxes	-43	-4,713
Total	**9,694**	**2,485**

(EUR 1,000)	31.12.2020	31.12.2019
Deferred tax liabilities		
Appropriations	53,259	52,109
Impairments	1,492	492
Financial assets	9,040	7,251
Cash flow hedges	450	563
Intangible assets		71
Property, plant and equipment	1,958	767
Netting of deferred taxes	-43	-4,713
Total	**66,156**	**56,540**

2020 (EUR 1,000)	1.1.2020	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2020
Deferred tax assets								
Impairment	392	120						512
Financial assets	2,735		836					3,571
Property, plant and equipment	1,463	2,787						4,250
Defined benefit pension plans	503				80			583
Approved tax losses	798	-87						711
Other	1,307	-1,062	153				-288	110
Netting of deffered taxes	-4,713						4,670	-43
Total	**2,485**	**1,758**	**989**		**80**		**4,382**	**9,694**

2020 (EUR 1,000)	1.1.2020	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2020
Deferred tax liabilities								
Appropriations	52,109	1,150						53,259
Impairments	492	3	996					1,492
Financial assets	7,251	-609	2,398					9,040
Cash flow hedges	563			-113				450
Intangible assets	71	-71						
Property, plant and equipment	767	1,191						1,958
Other	-4,713						4,670	-43
Total	**56,540**	**1,665**	**3,395**	**-113**			**4,670**	**66,156**

2019 (EUR 1,000)	1.1.2019	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2019
Deferred tax assets								
Impairment	2,430	-2,038						392
Financial assets	2,880	-7	-137					2,735
Property, plant and equipment	1,458	6						1,463
Defined benefit pension plans	320				184			503
Approved tax losses	1,152	-354						798
Other	759	570					-23	1,307
Netting of deffered taxes	-3,601						-1,112	-4,713
Total	**5,397**	**-1,824**	**-137**		**184**		**-1,135**	**2,485**

2019 (EUR 1,000)	1.1.2019	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2019
Deferred tax liabilities								
Appropriations	48,757	3,352						52,109
Impairments	267	225						492
Financial assets	4,640	1,118	1,493					7,251
Cash flow hedges	638			-75				563
Intangible assets	322	-251						71
Property, plant and equipment	710	57						767
Netting of deffered taxes	-3,601						-1,112	-4,713
Total	**51,738**	**4,496**	**1,493**	**-75**			**-1,112**	**56,540**

NOTE 28: OTHER ASSETS

(EUR 1,000)	31.12.2020	31.12.2019
Payment transfer receivables	217	280
Accrued income and prepaid expenses		
Interest	27,892	29,508
Other accrued income and prepaid expenses	7,140	9,117
Other	125,422	11,886
Other assets	**160,670**	**50,790**

LIABILITIES AND EQUITY

NOTE 29: FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR 1,000)	31.12.2020	31.12.2019
Other financial liabilities at fair value through profit or loss*		3,909
Financial liabilities at fair value through profit or loss		**3,909**

* The item includes the other owners' interests in the consolidated mutual funds of which more information in presented in note 42 Entities consolidated in Savings Banks Group's financial statements.

NOTE 30: 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 31: 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 32: 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 for insurance policies (EUR 1,000)	Liability 2020	Number of contracts 2020	Duration 2020
Other than unit-linked contracts			
Guaranteed-interest insurance contracts			
Savings insurance			
Rate of guaranteed interest 3.5 %	3,072	36	10,6
Rate of guaranteed interest 2.5 %	13,649	344	9,6
Rate of guaranteed interest 0.0 %	66,583	1,801	7,1
Individual pension insurance			
Rate of guaranteed interest 3.5 %	1,782	107	6,1
Rate of guaranteed interest 2.5 %	6,329	620	10
Rate of guaranteed interest 0.0 %	5,154	455	13,8
Group pension insurance (defined contribution, rate of guaranteed interest 0.0 %)	1,720	102	3,9
Term insurance	957	36,426	3
Unit-linked contracts			
Unit-linked insurance contracts			
Savings insurance	411,112	13,582	11,3
Individual pension insurance	109,196	10,263	18,7
Group pension insurance	5,771	128	32,4
Unit-linked investment contracts	328,688	4,628	12
Total	**954,013**	**68,492**	

Liabilities for insurance policies (EUR 1,000)	Liability 2019	Number of contracts 2019	Duration 2019
Other than unit-linked contracts			
Guaranteed-interest insurance contracts			
Savings insurance			
Rate of guaranteed interest 3.5 %	3,019	36	9,6
Rate of guaranteed interest 2.5 %	14,390	344	8,9
Rate of guaranteed interest 0.0 %	74,411	1,801	8,1
Individual pension insurance			
Rate of guaranteed interest 3.5 %	1,939	107	6,7
Rate of guaranteed interest 2.5 %	6,474	620	11,1
Rate of guaranteed interest 0.0 %	6,512	455	18,2
Group pension insurance (defined contribution, rate of guaranteed interest 0.0 %)	1,818	102	5,4
Term insurance	1,140	35,506	4,1
Unit-linked contracts			
Unit-linked insurance contracts			
Savings insurance	399,227	13,582	11,8
Individual pension insurance	97,341	10,263	20,4
Group pension insurance	3,927	128	32,6
Capital redemption contracts	33,959	167	11,4
Unit-linked investment contracts	244,540	4,461	13,3
Total	**888,697**	**67,572**	

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.

NOTE 33: SUBORDINATED LIABILITIES

(EUR 1,000)	Average interest rate %	31.12.2020
Subordinated loans	4.00 %	84
Other		
Debentures	2.00 %	29,136
Total subordinated liabilities		**29,220**

(EUR 1,000)	Average interest rate %	31.12.2019
Subordinated loans	4.00 %	84
Other		
Debentures	2.00 %	51,020
Total subordinated liabilities		**51,104**

NOTE 34: PROVISIONS AND OTHER LIABILITIES

(EUR 1,000)	31.12.2020	31.12.2019
Other liabilities		
Payment transfer liabilities	19,915	20,712
Other liabilities	15,957	7,737
Total other liabilities	**35,872**	**28,449**
Accrued expenses		
Interest payable	7,533	10,170
Interest advances received	1,219	715
Other accrued expenses	24,638	22,417
Total accured expenses	**33,391**	**33,302**
Provisions		
Pension provisions	2,941	2,692
Other provisions	1,430	1,140
Total provisions	**4,371**	**3,832**
Provisions and other liabilities	**73,633**	**65,583**

(EUR 1,000)	2020	2019
Change in provisions		
1 January	2,501	3,368
Decrease in other provisions	289	-13
Increase in defined benefit plans	249	-854
31 December	**3,039**	**2,501**

NOTE 35: CAPITAL AND RESERVES

(EUR 1,000)	31.12.2020	31.12.2019
Basic capital	25,236	20,340
Reserves		
Primary capital	32,452	34,452
Reserve for invested non-restricted equity	127,672	60,354
Reserve fund	48,586	70,216
Fair value reserve	17,862	14,133
Reserve for hedging instruments	1,801	2,252
Other reserves	74,136	85,953
Retained earnings		
Profit (loss) for previous financial years	775,246	729,165
Profit (loss) for the financial year	51,280	72,949
Total equity attributable to equity holders of the Group	**1,154,271**	**1,089,812**
Non-controlling interests	1,438	28,579
Total equity	**1,155,709**	**1,118,391**

Basic capital

This item includes the paid share capital, cooperative capital and basic capital. If share capital is entirely or partially not entered in trade register, the unregistered amount must be presented in the balance sheet separately as a sub-item of this item.

The basic capital of the Savings Banks Group consists of the Savings Banks' basic capital, which is not paid back according to the Savings Bank Act § 11.

In addition, the Savings Banks Group includes four Savings Banks in the form of a limited liability company, whose share capital is included in the basic capital in equity.

Primary capital

Primary capital includes the primary capital subject to the Savings Bank Act § 13.

Share premium

Share premium comprises restricted capital. E.g. capital gains on disposal of treasury shares are recognised in the share premium account.

Reserve for invested non-restricted equity

Reserve for invested non-restricted equity includes the portion of subscription price which is not recognised in share capital and, according to the Accounting Act, is not recognised in liabilities, as well as other equity investments which are not recognised in other reserves. Furthermore, the reserve includes the amount by which share capital is reduced and which is not used to cover confirmed loss nor is distributed to shareholders.

Reserve fund

Reserve fund comprises restricted capital. This item includes the amounts recognised in the reserve fund subject to the Savings Bank Act (1502/2001) § 10.

Fair value reserve

Fair value reserve includes items arising from fair value measurements.

Reserve for hedging instruments

Reserve for hedging instruments includes items arising from cash flow hedging. Such item is considered to be the portion of change in the fair value of a hedging instrument (derivative contract) which is found an effective hedge.

Other reserves

Other reserves include non-restricted reserves which are formed of prior period results based on the Articles of Association or rules or the decision of the General Meeting, which exercises general power of decision in the Savings Banks Group.

Retained earnings

This item includes the profit for the period as indicated by the income statement, as well as profit for prior periods to the extent that it has not been transferred to other equity items or distributed to shareholders.

Specification of changes in fair value reserve (EUR 1,000)	2020
Fair value reserve 1 January	14,133
Profit/loss from fair value measurements, shares and participations	3,549
Profit/loss from fair value measurements, securities	3,891
Deferred tax from fair value measurements	-2,711
Non-controlling interest's share of the changes in fair value reserve	148
Reclassified to income statement	-1,148
Fair value reserve 31 December	**17,862**

Specification of changes in the reserve for hedging instruments (EUR 1,000)	2020
Reserve for hedging instruments 1 January	2,252
Profit/loss from fair value measurements, derivatives hedging cash flow	-481
Deferred tax from cash flow hedging	113
Reclassified to income statement	-83
Reserve for hedging instruments 31 December	**1,801**

Specification of changes in fair value reserve (EUR 1,000)	2019
Fair value reserve 1 January	-2,858
Profit/loss from fair value measurements, shares and participations	18,610
Profit/loss from fair value measurements, securities	9,923
Deferred tax from fair value measurements	-4,786
Non-controlling interest's share of the changes in fair value reserve	-2,370
Reclassified to income statement	-4,387
Fair value reserve 31 December	**14,133**

Specification of changes in the reserve for hedging instruments (EUR 1,000)	2019
Reserve for hedging instruments 1 January	2,552
Profit/loss from fair value measurements, derivatives hedging cash flow	-436
Deferred tax from cash flow hedging	75
Reclassified to income statement	60
Reserve for hedging instruments 31 December	**2,252**

OTHER NOTES

NOTE 36: 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 37: 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 38: 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 39: 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 40: PENSION LIABILITIES

In addition to statutory pension scheme, the Savings Banks Group have set defined benefit pension plans for management, certain employees in leading positions as well as for those who used to be covered by the Savings Banks' pension fund.

Retirement age is 60-65 years. The target pension is 60% of pensionable salary. Pension benefit plans are under the statuotory taxation and other laws.

The amount of assets in the insurance arrangement reflects the part of the obligation which is on the insurance company's responsibility, and it is calculated with the same discount rate as the liability. The assets in the arrengement include 100 % qualifying insurances. As the obligations are insured, there are no signifigant liabilities on Group's responsibility. The Group is mainly responsible for increases in pensions tied to TyEL-index and for the effect of discount rate change and salary increase rate

The defined benefit plan assets which are managed by insurance companies are part of their investment capital, and the related investment risk is on the insurance company.

(EUR 1,000)	31.12.2020	31.12.2019
Present value of obligation	15,065	14,496
Fair value of plan assets	12,124	11,886
Liability in balance sheet 31 December	**2,941**	**2,611**
Actuarial assumptions		
Discount rate, %	0.50 %	0.70 %
Pay development, %	1.60 %	1.70 %
Pension increase, %	0.00-1.40%	0.00-1.50%

(EUR 1,000)	2020	2019
Current service cost	441	540
Previous service cost	441	498
Net interest	16	20
Total	898	1,059
Costs recognised in income statement	457	518
Remeasurements	724	1,134
Comprehensive income before tax	**1,181**	**1,653**
Present value of obligation 1 January	14,496	15,499
Current service cost	441	540
Previous service cost		-42
Interest expense	100	245
Actuarial gains (-) / losses (+) arising from changes in economic expectations	325	1,213
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	642	-49
Benefits paid	-939	-2,911
Present value of obligation 31 December	**15,065**	**14,496**
Fair value of plan assets 1 January	11,886	13,794
Interest expense	84	225
Items in interest	243	30
Benefits paid	-939	-2,911
Contributions	850	747
Fair value of plan assets 31 December	**12,124**	**11,886**
Present value of obligation	15,065	14,496
Fair value of plan assets	12,124	11,886
Liability in balance sheet 31 December	**2,941**	**2,611**
Liability in balance sheet 1 January	2,611	1,705
Costs in income statement	457	518
Contributions	-850	-747
Remeasurements in comprehensive income statement	724	1,134
Liability in balance sheet 31 December	**2,941**	**2,611**

Sensitivity analysis - net liability

Effect of changed in assumptions on net liability in euros and % can be seen in the table below

	2020	2019
Change in discount rate +0.50%	-329	-302
Change in discount rate -0.50%	375	346
Change in pay development +0.50%	213	196
Change in pay development -0.50%	-210	-189
Change in pensions + 0.5 %	629	668
Change in pensions - 0.5 %	-576	-606

Duration based on the weighted average is 17 (16) years.

The Savings Banks Group expects to contribute approximately EUR 593 (544) thousand to defined benefit plans in 2021.

NOTE 41: LEASES

Savings Banks Group as lessee

The Savings Bank Group acts as a lessee of e.g. office spaces, printers and laptop computers. Savings Banks Group's leases can be categorised by the following underlying assets: machinery and equipment, real estate and apartments, information systems and others. Savings Banks Group's leases do not contain any significant residual value quarantees or extension options.

Right-of-use assets (EUR 1,000)	2020	2019
Property, plant and equipment		
Machinery and equipment	277	326
Real estate	22	43
Apartments	10,444	11,269
Total	**10,742**	**11,638**

Changes in right-of-use assets (EUR 1,000)	2020	2019
Carrying amount 1 January	**11,638**	**13,028**
Depreciations and impaiments	-2,208	-4,016
Increases	2,055	2,626
Decreases	-743	11,638
Carrying amount 31 December	**10,742**	**11,638**

Maturity analyses of lease liabilities (EUR 1,000)	2020	2019
Less than one year	2,659	2,619
Between one and five years	6,388	6,252
More than five years	1,814	2,787
Total	**10,860**	**11,658**

Income statement items (EUR 1,000)	2020	2019
Interest expenses	-44	-50
Depreciations	-2,208	-2,836
Expense relating to short-term leases	-2,322	-2,118
Expense relating to leases of low-value assets	-193	-240
Total	**-4,767**	**-5,244**

Savings Banks Group as lessor

The Savings Banks Group acts as a lessor of e.g. apartments owned by the banks.

Future minimum lease payments under non-cancellable operating leases receivable (EUR 1,000)	2020	2019
Less than one year	2,043	2,198
Between one and five years	2,599	1,656
More than five years	282	914
Total	**4,924**	**4,769**

NOTE 42: ENTITIES CONSOLIDATED IN SAVINGS BANKS GROUP'S FINANCIAL STATEMENTS

Group structure

The table provides information about entities consolidated in the consolidated financial statements of the Savings Banks Group.

COMPANY	DOMICILE		
Technical parent company:			
Säästöpankki Sinetti	Orivesi		
Aito Säästöpankki Oy	Tampere		
Säästöpankki Kalanti-Pyhäranta	Uusikaupunki		
Avain Säästöpankki	Kortesjärvi		
Lammin Säästöpankki	Hyvinkää		
Liedon Säästöpankki	Lieto		
Länsi-Uudenmaan Säästöpankki	Lohja		
Mietoisten Säästöpankki	Masku		
Myrskylän Säästöpankki	Myrskylä		
Säästöpankki Optia	Iisalmi		
Helmi Säästöpankki Oy	Lahti		
Someron Säästöpankki	Somero		
Ylihärmän Säästöpankki	Ylihärmä		
Eurajoen Säästöpankki	Eurajoki		
Ekenäs Sparbank	Tammisaari		
Nooa Säästöpankki	Helsinki		
Kvevlax Sparbank	Koivulahti		
Närpes Sparbank Ab	Närpiö		
		OWNERSHIP	OWNERSHIP
Subsidiaries:		**31.12.2020**	**31.12.2019**
Nooa Savings Bank Ltd	Helsinki	100.00 %	83.13 %
Central Bank of Savings Banks Finland Plc	Helsinki	100.00 %	94.73 %
Sp-Fund Management Company Ltd	Helsinki	100.00 %	92.57 %
Savings Banks' Union Coop	Helsinki	100.00 %	100.00 %
Savings Bank Services Ltd	Helsinki	100.00 %	100.00 %
Sb Life Insurance Ltd	Helsinki	100.00 %	81.22 %
Sp-Koti Oy	Helsinki	100.00 %	100.00 %
Säästöpankkien Holding Oy	Helsinki	100.00 %	80.10 %
Sp Mortgage Bank Plc	Helsinki	100.00 %	100.00 %

Consolidated mutual funds:		OWNERSHIP 31.12.2020	OWNERSHIP 31.12.2019
Säästöpankki Ympäristö	Helsinki	0.00 %	47.40 %

Most significant real estate companies:			
Fast Ab Bankborg	Koivulahti	100 %	100 %
Fast Ab Kvevlax Affärshus	Koivulahti	65.90 %	65.90 %
Kiinteistö Oy Säästö-Erkko	Orimattila	62.82 %	64.58 %
Kiinteistö Oy Toritammi-Torgeken Fastighets Ab	Kaskinen	56.00 %	56.00 %
Kiinteistö Oy Eräjärven Pankkitalo	Eräjärvi	100 %	100 %
Kiinteistö Oy Oriveden Läsimäki	Orivesi	94.22 %	94.22 %
Kiinteistö Oy Kaustisen Säästökeskus	Pietarsaari	76.33 %	76.33 %
Kiinteistö Oy Kälviän Säästöpuisto	Kokkola	100 %	100 %
Kiinteistö Oy Kalajoenrinne	Kalajoki	59.37 %	59.37 %

Significant restrictions

There are no significant restrictions on the ownership and use of assets.

NCI in subsidiaries

The non-controlling owners of the subsidiaries of the Savings Banks Group are mainly savings banks which are not part of the Savings Banks Amalgamation

The table below presents a specification of companies which have material NCI.

Subsidiary	Domicile	Non-controlling ownership (%) 2020	Equity allocated to non-controlling interests 2020
Nooa Säästöpankki Oy	Helsinki	0,00	
Central Bank of Savings Banks Finland Plc	Espoo	0,00	
Sb Life Insurance Ltd	Espoo	0,00	

Subsidiary	Domicile	Non-controlling ownership (%) 2019	Equity allocated to non-controlling interests 2019
Nooa Säästöpankki Oy	Helsinki	16.87	11,053
Central Bank of Savings Banks Finland Plc	Espoo	3.43	2,991
Sb Life Insurance Ltd	Espoo	18.78	8,892

The table below summarises the financial information relating to subsidiaries which have material NCI. The information is presented before elimination of internal items.

(EUR 1,000)	Nooa Savings Bank Ltd 2019	Central Bank of Savings Banks Finland Plc 2019	Sb Life Insurance Ltd 2019
Loans and advances	703,703	2,113,735	
Life insurance assets			943,594
Other assets	111,352	47,312	2,031
Liabilities	747,882	2,077,141	898,981

In addition, the Savings Banks Group includes companies with non-controlling interest in ownership of 5.78-44.00% and in equity EUR 2,583 thousand. None of these companies is considered to be individually material.

Consolidated structured entities

The Group is involved in entities which have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Such entities are structured entities. When assessing the need to consolidate structured entities in the Group's financial statements, consideration is given to the nature of the relationship between the Group and the entity as well as to the Group's power over the entity in accordance with the principle of control as defined by IFRS 10.

The structured entities within the Group's sphere of influence are mutual funds managed by Sp-Fund Management Company, which is part of the Savings Banks Amalgamation. As Sp-Fund Management Company acts as the manager of the mutual funds, the Group is considered to have power over the mutual funds whereby it is able to affect the amount of returns received. The Group has determined the scope of consolidation to include the mutual funds where the ownership of the Savings Banks Group exceeds 40% as a longer-term investment. The Savings Banks Group must have owned more than 40% of the fund for more than half a year before the fund is consolidated. One mutual fund is consolidated in the Group's financial statements on 31 December 2019 (2 in year 2018).

The table below presents as assets the value of the mutual funds which the Group controls as defined above and which are consolidated in the Group's financial statements. Liabilities include other owners' share in the value of these funds. Liabilities do not represent claims against the Group's assets. The assets of the mutual funds can only be used to settle their own liabilities.

	31.12. 2020		31.12.2019	
(EUR 1,000)	Total assets	Total liabilities	Total assets	Total liabilities
Total mutual funds			6,956	3,297

The holdings in mutual funds consolidated in the financial statements of the Savings Banks Group are classified at fair value through profit or loss. Other owners' interests in the assets and liabilities are measured at fair value through profit or loss.

Associates and joint ventures

Information about the Savings Banks Group's investments in associates and joint ventures is presented in Note 24 investments in associates.

NOTE 43: INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The table below presents financial information about the structured entities which are not consolidated in the Group's financial statements, as well as the Group's investment in these entities and the maximum exposure to loss. These entities are mutual funds managed by Sp-Fund Management Company, which is part of the Savings Banks Amalgamation. Sp Fund Management Company manages 33 mutual funds. The Group has invested in 10 (11) mutual funds of Sp Fund Management Company and all of them are excluded from consolidation per 31.12.2020. The liabilities presented below represent the liabilities to both entities within the Group and other owners.

(EUR 1,000)	31.12.2020			
	Total assets	Total liabilities	Group investment	Maximum exposure to loss
Total mutual funds				

(EUR 1,000)	31.12.2019			
	Total assets	Total liabilities	Group investment	Maximum exposure to loss
Total mutual funds	3,201,728	3,201,728	68,671	68,671

All holdings in mutual funds are classified as at fair value through profit or loss. The unrealized fair value changes of the unconsolidated mutual funds managed by Sp-Fund Management Company, amounting to EUR 1 134 (50) thousand, are included in the profit or loss of the Group. During the financial year, a total of EUR 628 (0) thousand of realized gains and losses were recorded in the investment income of the Group.

The Group's maximum exposure to loss for each structured entity is restricted to the investment made by the Group.

NOTE 44: 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

Signatures of the Consolidated Financial Statement of Savings Banks' Group

We have adopted the Report of Board of Directors and the Consolidated Financial Statements of the Savings Banks' Group specified in the Act on the amalgamation of deposit banks the for the financial year ending 31 December 2020. The report and the Financial Statements are presented to the General Meeting of Savings Banks' Union Coop on 11 March 2021.

In Helsinki 15 February 2021

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

Pirkko Ahonen
Chairman of the Board

Jari Oivo
Vice chairman of the Board

Tuula Heikkinen
Member of the Board

Eero Laesterä
Member of the Board

Jaakko Ossa
Member of the Board

Heikki Paasonen
Member of the Board

Katarina Segerståhl
Member of the Board

Ulf Sjöblom
Member of the Board

Tomi Närhinen
Managing Director

Auditor's endorsement

Our auditor's report has been issued today.

Helsinki 15 February 2021.

KPMG Oy Ab

Petri Kettunen
Authorised Public Accountant

KPMG Oy Ab
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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the members of Savings Banks' Union Coop

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of amalgamation Savings Banks Group pursuant to the Act on the Amalgamation of Deposit Banks for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of Savings Banks Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Our opinion is consistent with the additional report submitted to the Audit Committee of Savings Banks' Union Coop.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of member institutions within Savings Banks Group in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the Savings Banks Group are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 14 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Receivables from customers (notes 2, 3, 5 and 16 to the financial statements)	
— Receivables from customers, totaling EUR 9.3 billion, are the most significant item in the Savings Banks Group's consolidated balance sheet representing 71 percent of the total assets. — Savings Banks Group adopted IFRS 9 Financial instruments -standard on 1 January 2018. — Calculation of expected credit losses involves assumptions, estimates and management judgment for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk. — In the financial year the coronavirus pandemic (COVID-19) has impacted the Savings Banks Group's operating environment, credit risk level and components of accounting for expected credit losses. — Due to the significance of the carrying amount involved, complexity of the accounting methods and management judgement involved, receivables from customers are addressed as a key audit matter.	— We assessed principles and controls over recognition and monitoring of loan receivables. Our audit procedures included testing of controls regarding determination and recording of expected credit losses on loans. — We assessed the models and key assumptions for calculating expected credit losses as well as tested the controls related to calculation process and credit risk models for the expected credit losses. KPMG IFRS- and financial instruments -specialists have been involved in the audit. — We requested other auditors of Savings Banks Group institutions to issue an opinion that the institutions within Savings Banks Group have complied with the instructions provided by Savings Banks Union Coop in respect of valuation of receivables and determination of expected credit losses in accordance with IFRS 9. — We considered the impacts of the COVID-19 pandemic on the Savings Banks Group's credit risk position and the accounting for expected credit losses. The key areas have been changes in macroeconomic factors, collateral valuations, changes in loan payment schedules and changes in the amount of installment-free loans. — Furthermore, we considered the appropriateness of the notes provided by Savings Banks Group in respect of

receivables and expected credit losses.

Financial assets measured at fair value and derivative contracts (notes 2, 3, 18, 21, 22 and 39 to the financial statements)

— The carrying value of financial assets measured at fair value totals EUR 2,1 billion comprising investment assets EUR 1,113 million and life insurance assets EUR 1,018 million. The Derivative assets are EUR 76 million comprising contracts held for hedging purposes. Derivatives are measured at fair value in preparing financial statements.

— Fair value of a financial instrument is determined using either prices quoted in an active market or Savings Banks Group's own valuation techniques where no active market exists. Determining fair values involves management judgements, especially in respect of those instruments for which market-based data is not available.

— We assessed the appropriateness of the measurement principles applied by Savings Banks Group and the compliance with the applicable financial reporting standards.

— Our audit procedures included testing of controls around the valuation process of financial assets measured at fair value, among others.

— As part of our year-end audit procedures we considered the accuracy of the fair values determined for financial assets measured at fair value.

— We requested other auditors of Savings Banks Group institutions to issue an opinion that the institutions within Savings Banks Group have complied with the instructions provided by Savings Banks Union Coop in respect of valuation of financial assets.

— Furthermore, we considered the appropriateness of the notes on investment assets.

Life insurance liability (notes 2, 3, 5 and 32 to the financial statements)

— The life insurance liability, totaling EUR 954 million, is a significant item in the Savings Banks Group's consolidated balance sheet. Determination of life insurance liability involves various calculation techniques and actuarial assumptions. The most significant assumptions relate to calculation techniques, mortality rate and development

— Our audit procedures included the assessment of controls around the calculation process of life insurance liability.

— Our actuary specialist evaluated the appropriateness of the assumptions and methods used in determining life insurance liability by inspecting the technical bases of interest rates.

applied and assessing the appropriateness of the calculation models to ensure the adequacy of liabilities for insurance policies, among others.

— Furthermore, we considered the appropriateness of the notes on life insurance liabilities.

IT systems and related control environment

— The key processes of the institutions within Savings Banks Group are dependent on technology. Therefore, IT plays essential role for business continuity, incident management and the accuracy of financial reporting.

— The most significant risks relate to integrity of data, confidentiality and disruption of services.

— The IT control environment related to the financial reporting process has a significant impact on the selected audit approach.

— We obtained an understanding of the IT systems related to financial reporting and the associated control environment, and tested the effectiveness of the related internal controls with the help of assurance reports received from external service providers, among others.

— Our audit procedures included extensive substantive procedures and data analyses.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and that financial statements comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Savings Banks Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the Savings Banks Group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Savings Banks Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Savings Banks Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Savings Banks Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Savings Banks Group to express an opinion on the consolidated financial statements. We remain solely responsible for our audit opinion.
- We also acquaint ourselves with the financial statement policies adopted by Savings Banks Group's member institutions, as well as the auditors' reports submitted for the audit of Savings Banks Group's consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting of Savings Banks' Union Coop on 13.3.2014, and our appointment represents a total period of uninterrupted engagement of 7 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 15 February 2021

KPMG OY AB

PETRI KETTUNEN
Authorised Public Accountant, APA

Savings Bank

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