Savings Banks Amalgamation's

PILLAR III DISCLOSURE REPORT

30 JUNE 2023

Savings Bank

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INTRODUCTION

The member organisations of the Savings Banks Amalgamation (LEI:7437005892K69S3MW344) 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, 14 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 review period, Lieto Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023. As a result of the exit, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 15 to 14.

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

The pillar III report has been compiled 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 pillar III report is unaudited.

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 annually from the stakeholder point of view and evaluates what can be classified as proprietary or confidential information. The pillar III disclosure principles are updated at least annually and always if the market conditions, financial performance or change in the risk position would require that.

This semi-annual pillar III report contains key metrics (CRR 433(1)(b)) related to risk-based capital ratios, leverage ratio, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The comprehensive pillar III report is disclosed at the year-end in conjunction with the date of publication of the Saving Banks Group's board of directors' report and consolidated IFRS financial statements. The Amalgamation assesses whether scope or frequency of the pillar III disclosure has to be updated if the market conditions, financial performance or change in the risk position would require that.

KEY INDICATORS (KM1)

At the end of June 2023, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 988.9 (1,090.5) million, of which CET1 capital accounted for EUR 985.7 (1,090.5) million. Savings Banks Amalgamation does not have additional Tier 1 capital. Tier 2 (T2) capital accounted for EUR 3.2 (0.03) million, which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 5,180.4 (5,837.3) million, i.e., they were 11,3% lower than at the end of the previous year. The capital ratio of the Savings Banks Amalgamation was 19.1 (18.7) % and the CET1 capital ratio was 19.0 (18.7) %. The decrease in own funds and risk-weighted receivables relative to the end of 2022 is attributable to Lieto Savings Bank exiting the Savings Bank Amalgamation. During the period under review, capital adequacy was improved by the profit for the financial period, the increased value of investment portfolio items measured through comprehensive income, and the moderate growth of the credit portfolio.

The capital requirement of Savings Banks Amalgamation was EUR 624.2 (702.0) million or 12.05% of the total risk weighted exposure amount. 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.

The standard method is used to calculate capital requirement for credit risk, counterparty risk and credit valuation adjustment. The basic method is used to calculate capital requirement for operational risk.

The capital requirement for foreign-exchange risk is calculated by using basic method if net open position exceeds 2% of the own funds. The amalgamation does not have a trading book and the Amalgamation does not involve commodity risk taking.

The leverage ratio of the Savings Banks Amalgamation was 8.3 per cent (8.3) and exceeded clearly exceeding the 3% minimum requirement.

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

The liquidity coverage ratio (LCR) of the Savings Banks Group was 210% (144%) staying well above the regulatory minimum requirement (100%). During first half of the year 2023 high-quality liquid assets (HQLA) increased by EUR 27.5 million due to an increase of EUR 50.4 million in government bonds. Net liquidity outflows decreased by EUR 313.7 million. This was due to a decrease of EUR 203.2 million in deposits from financial customers and the overall decrease in deposits due to Lieto Savings Bank exiting the Group. The liquidity figures are disclosed as twelve-month averages in the table below in accordance with the Commission Implementing Regulation (EU) 2021/637. Twelve-month average of LCR was 163.6% (154.3%).

Net Stable Funding (NSFR) ratio was 125% (126%), well above the regulatory requirement (100%).

TABLE EU KM1 – KEY METRICS TABLE

(EUR 1,000)		30.6.2023	31.12.2022	30.6.2022
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	985,716	1,090,504	1,077,518
2	Tier 1 capital	985,716	1,090,504	1,077,518
3	Total capital	988,889	1,090,533	1,078,125
	Risk-weighted exposure amounts			
4	Total risk exposure amount	5,180,362	5,837,252	5,769,272
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	19.03%	18.68%	18.68%
6	Tier 1 ratio (%)	19.03%	18.68%	18.68%
7	Total capital ratio (%)	19.09%	18.68%	18.69%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.50%	1.50%	1.50%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.84%	0.84%	0.84%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.13%	1.13%	1.13%
EU 7d	Total SREP own funds requirements (%)	9.50%	9.50%	9.50%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.05%	0.03%	0.01%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.55%	2.53%	2.51%
EU 11a	Overall capital requirements (%)	12.05%	12.03%	12.01%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.59%	9.18%	9.19%
	Leverage ratio			
13	Total exposure measure	11,876,254	13,194,516	12,916,333
14	Leverage ratio (%)	8.30%	8.26%	8.34%

(EUR 1,000)		30.6.2023	31.12.2022	30.6.2022
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,538,009	1,467,915	1,516,378
EU 16a	Cash outflows - Total weighted value	1,002,395	1,014,577	1,132,072
EU 16b	Cash inflows - Total weighted value	62,928	59,338	40,998
16	Total net cash outflows (adjusted value)	939,467	955,239	1,091,075
17	Liquidity coverage ratio (%)	163.64%	154.31%	138.98%
	Net Stable Funding Ratio			
18	Total available stable funding	9,607,678	10,745,141	10,224,816
19	Total required stable funding	7,701,984	8,558,332	8,153,334
20	NSFR ratio (%)	124.74%	125.55%	125.41%

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