

Savings Banks Group / Sp Mortgage Bank

Investor Presentation
Autumn 2022



Savings Bank

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Summary of the Savings Banks Group

The Savings Banks Group

- The Savings Banks Group is the oldest banking group in Finland consisting of 15 Savings Banks as well as entities providing products and services to the Savings Banks
- The Group has over 450,000 customers and circa 120 branch offices
- The main focus is on retail customers which comprise 74% of lending and is predominantly in form of mortgages. Other target groups include SMEs (19% of lending) and agricultural customers (7% of lending)
- The Group has approximately a 5% market share in household lending and a 4% market share in household deposits
- End of June 2022, the Savings Banks Group companies employed 1 404 employees

The Amalgamation of Savings Banks

- The 15 Savings Banks, Central Bank of Savings Banks Finland (CBSBF), Sp Mortgage Bank (SPMB) and their central institution Union Co-op together with certain other product and service companies form the Amalgamation of Savings Banks (as laid down in the Amalgamations Act)
- Under the Amalgamations Act, the Savings Banks, CBSBF, Sp Mortgage Bank and the Union Co-op are jointly liable for each others' debts and commitments

Financial position

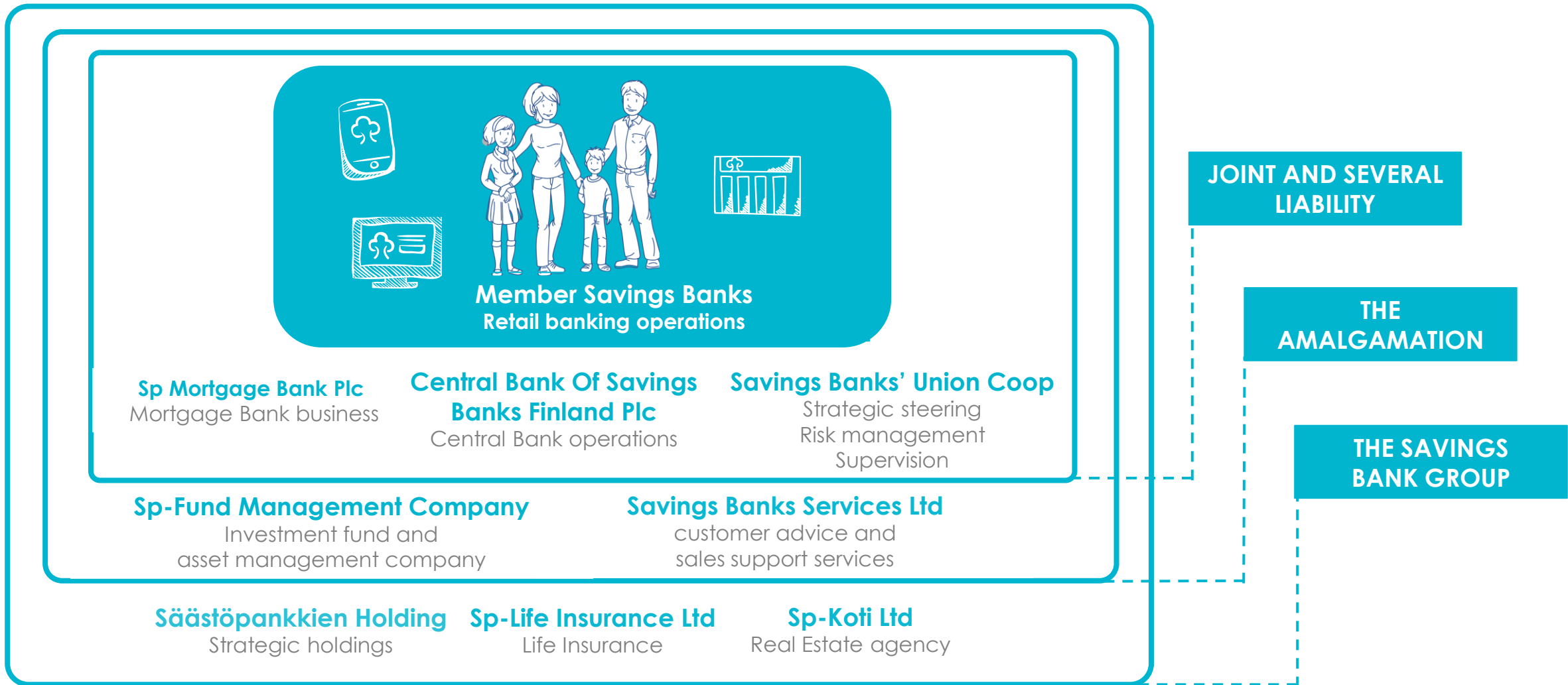
- Total assets were EUR 13,5bn at the end of June 2022. The Group's profit before taxes amounted to EUR 42,7m
- Loan book of EUR 10,0bn consists mainly of residential mortgages at the end of June 2022.
- Large and stable deposit base of EUR 7.9bn comprises the largest part of the Group's funding
- Strong capital position reflected by a CET1 ratio of 18,7% at the end of June 2022.
- Solid leverage ratio of 8.3% at the end of June 2022 (Tier 1 Capital / Total Liabilities)

Funding & Ratings

- S&P Global Ratings has assigned 'A-/A-2' long- and short-term counterparty credit ratings to CBSBF, the entity responsible for senior unsecured financing of the Group. The outlook on the ratings is negative. As the central credit institution CBSBF's ratings reflect the wider Group's franchise and creditworthiness
- Sp Mortgage Bank is responsible for issuance of covered bonds within the Group and issued cover bonds are rated 'AAA' by S&P Global Ratings
- The 100% Finnish prime mortgage cover pool is well diversified, with a majority of the pool located in growth centers and their close proximity. The pool has no non-performing loans and has average LTV of 51,9% at the end of June 2022

Group Structure and Strategy

Structure of the Savings Banks Group



Strategic Intent and Focus

- We focus on high-quality retail banking in Finland
- We have a clear group strategy focusing on personal and SME banking
- Our main competitive advantage is the superior customer experience
 - Proven success in customer satisfaction
- We have grown steadily for years and plan to maintain or accelerate the growth in the near future
- Our strategy is working well; we are growing in the areas of wealth management and corporate banking, exactly according to the strategy
- Net Interest Income grows steadily, but the proportional share of Net Fees and Commissions is increasing
- Strong capital adequacy supports very well our strategic growth

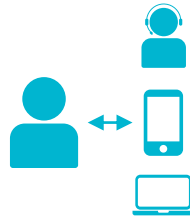
PURPOSE

We responsibly promote the financial wellbeing and prosperity of Finns. Our expertise enables a better life for our customers.



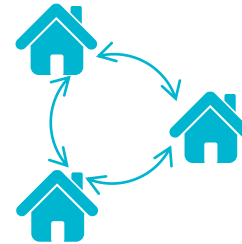
BUSINESS

Profitable and sustainably growing customer business



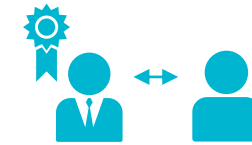
COMPETITIVE
ADVANTAGE

“The Savings Bank Experience” – the best combination of personal and digital services



WAY OF WORKING

A cohesive and effective team



COMPETENCE

A community of highly competent professionals with a strong capacity for renewal

Good progress in strategy execution

- Leading bank in customer satisfaction
- Great success in digital banking
- Wealth management revenue and market share growing fast
- SME lending growing fast
- EBIT strong and improving
- EBIT from customer operations improving
- NII strong, but fees and commissions increasing their proportional share of income
- Strong capital adequacy supports very well our strategic growth
- Liquidity strong, funding solid
- Harmonised operating model

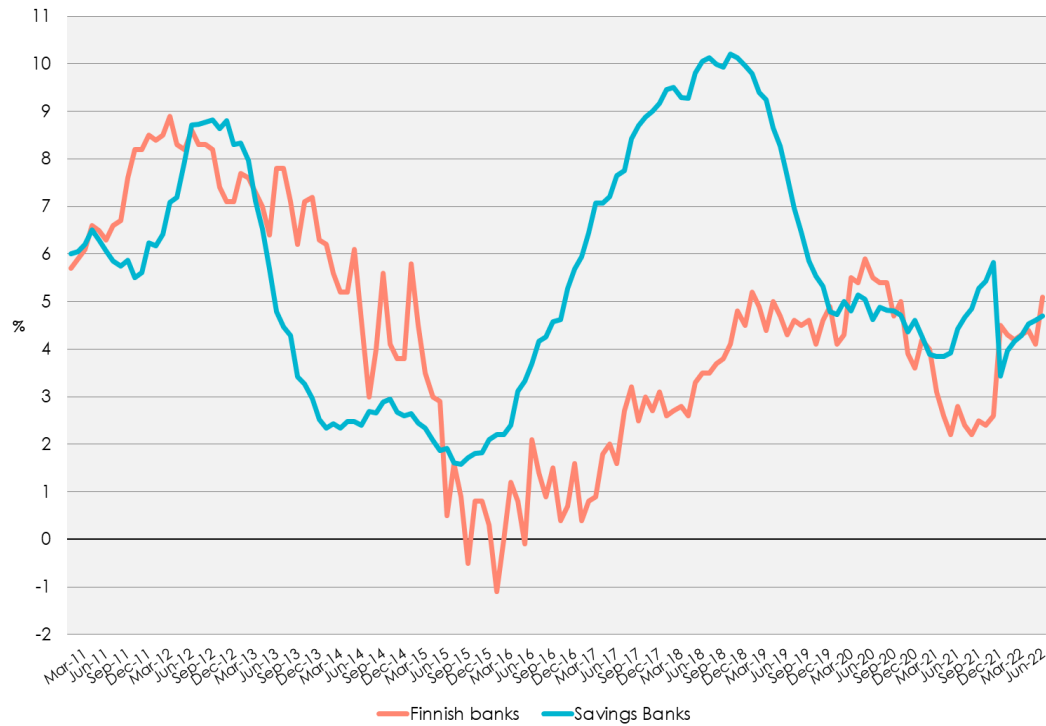
Market Position

The Savings Banks Group operates country-wide

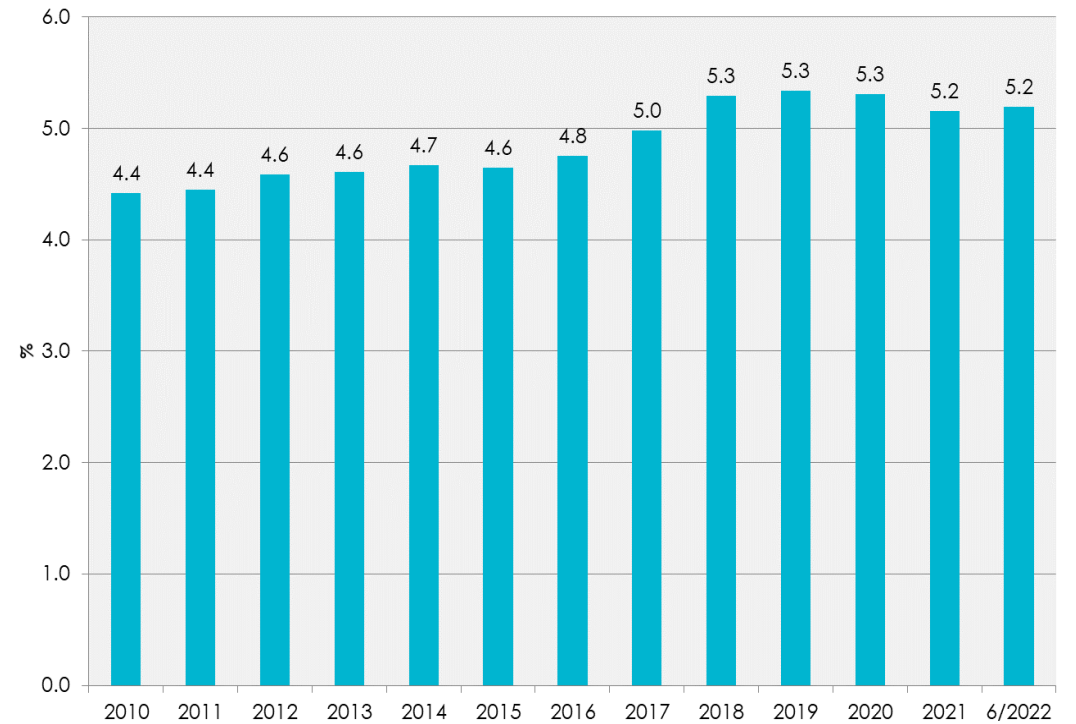
- Aito Säästöpankki
- Avain Säästöpankki
- Tammisaaren Säästöpankki
- Helmi Säästöpankki
- Koivulahden Säästöpankki
- Lammin Säästöpankki
- Liedon Säästöpankki
- Länsi-Uudenmaan Säästöpankki
- Myrskylän Säästöpankki
- Nooa Säästöpankki
- Närpiön Säästöpankki
- Someron Säästöpankki
- Säästöpankki Kalanti-Pyhäranta
- Säästöpankki Optia
- Säästöpankki Sinetti

Growth in Savings Banks' loan portfolio (includes Sp Mortgage)

Loans 12 months annual growth, %
Savings Banks vs. Finnish banking sector

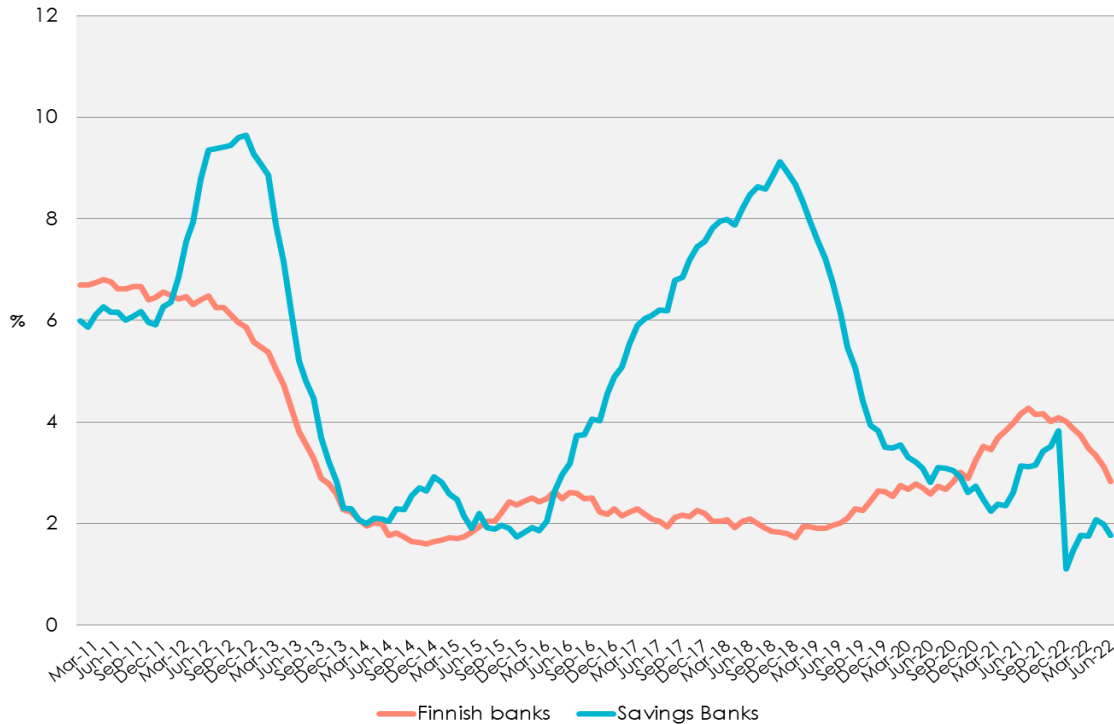


Savings Banks's market share (loans)
Savings Banks vs. Finnish banking sector

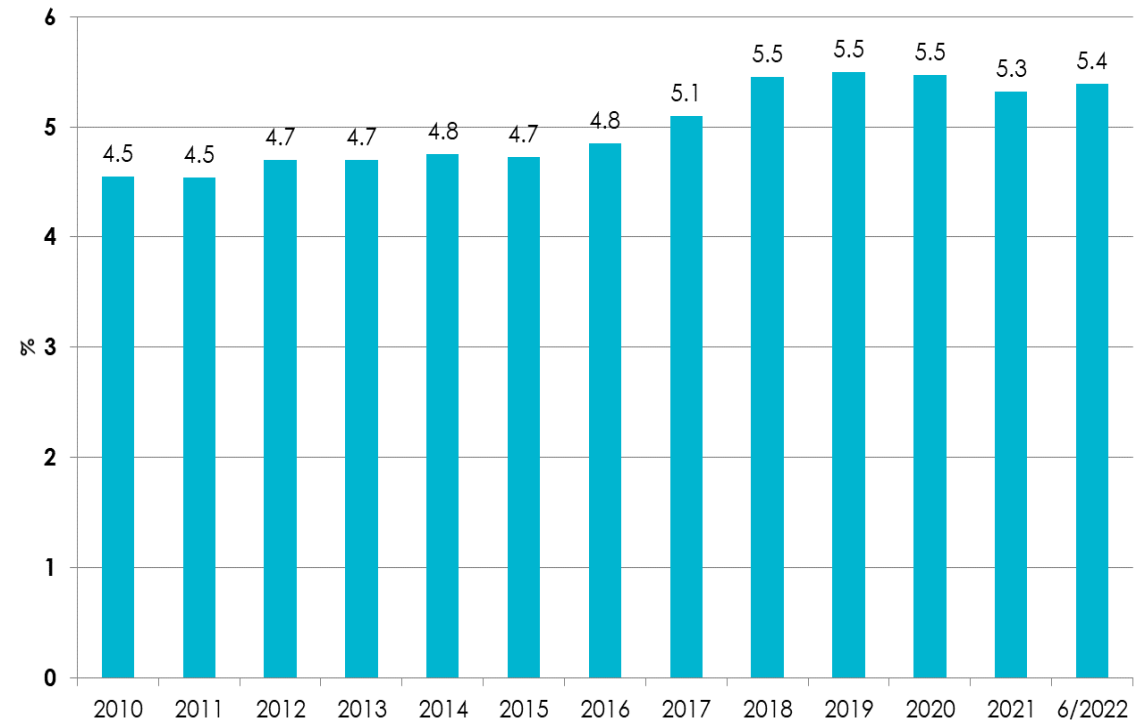


Savings Banks can maintain growth in mortgage loans

Mortgage loans 12 months annual growth, %
Savings Banks vs. Finnish banking sector

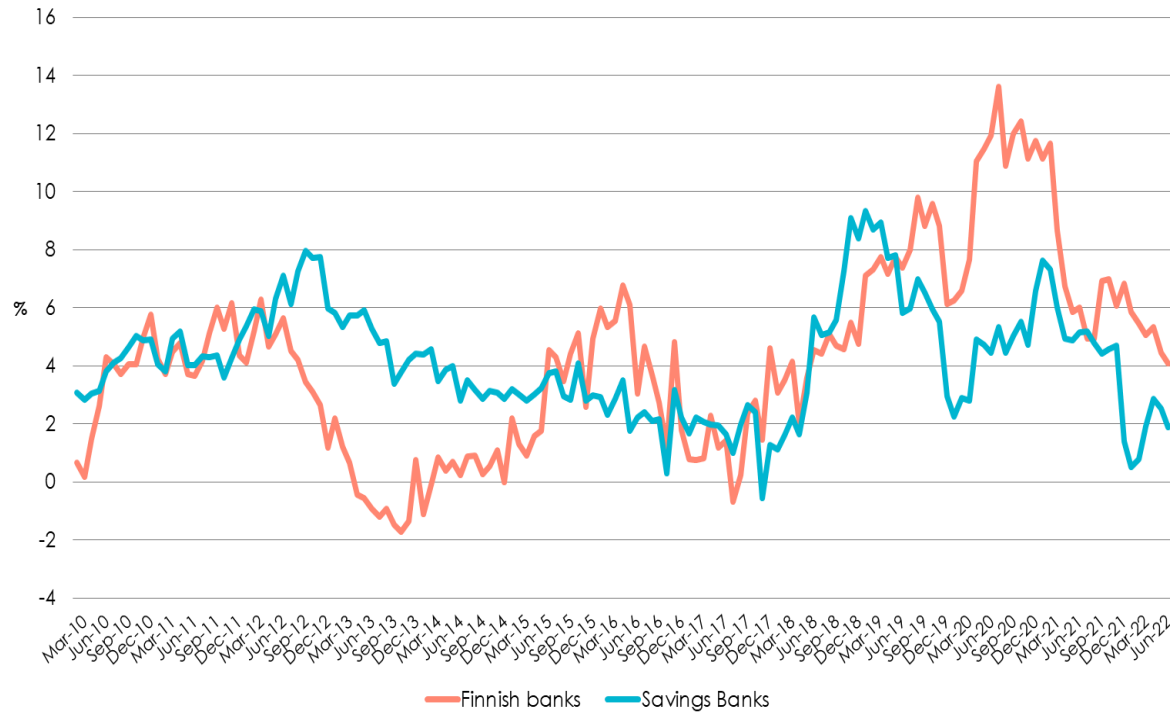


Savings Banks mortgage loans' market share
Savings Banks vs. Finnish banking sector

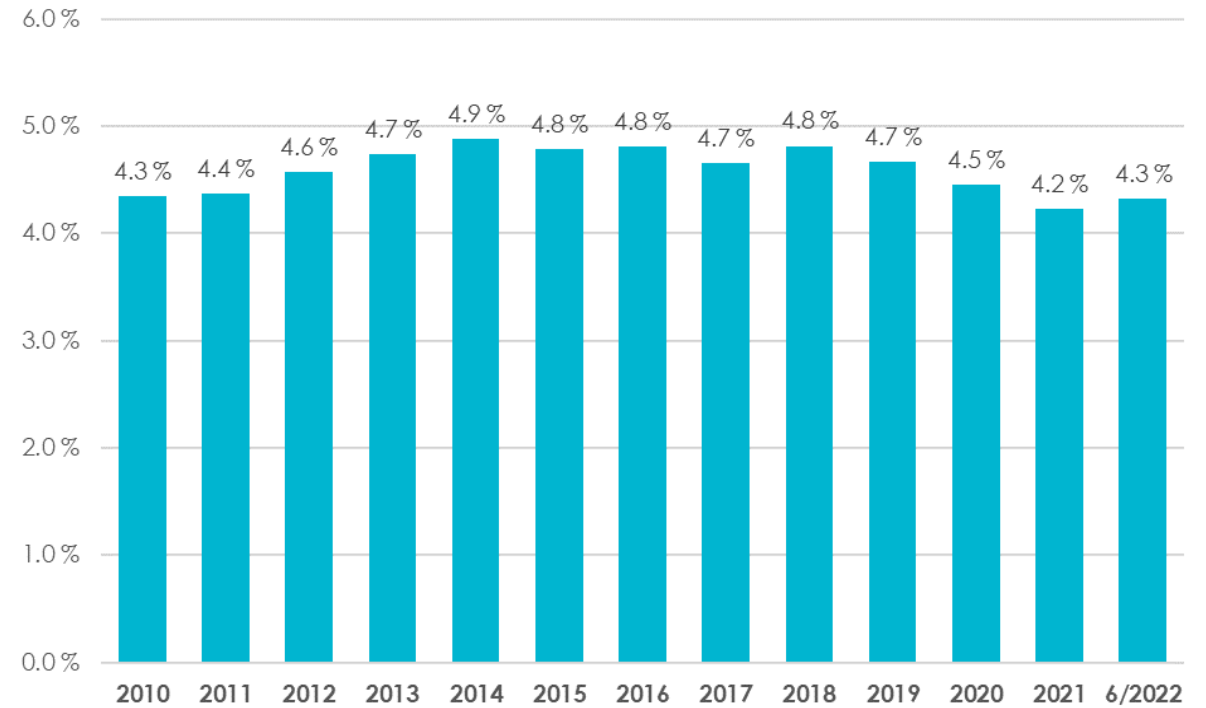


Savings Banks' deposits

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



Deposits market share
Savings Banks vs. Finnish banking sector



Customer experience and satisfaction in private customers in an excellent level

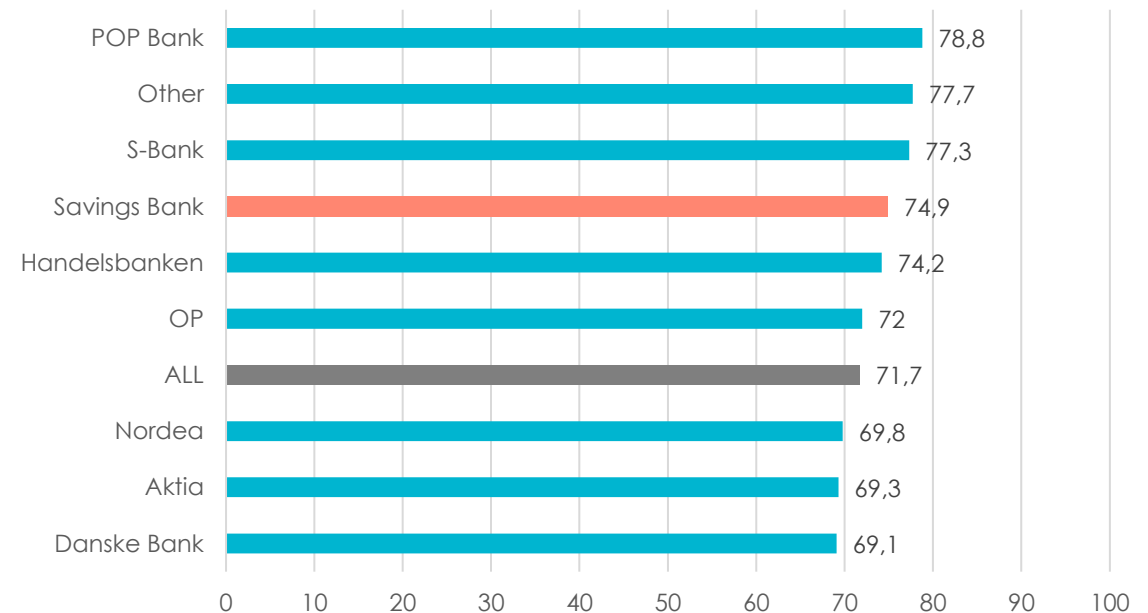
NPS (B2C)

NPS 81,5

customer meetings
in Saving Banks
in 1-6/2022

EPSI Rating 2022

Customer Satisfaction 2022 (B2C)



Customer experience and satisfaction in corporate customers in an excellent level

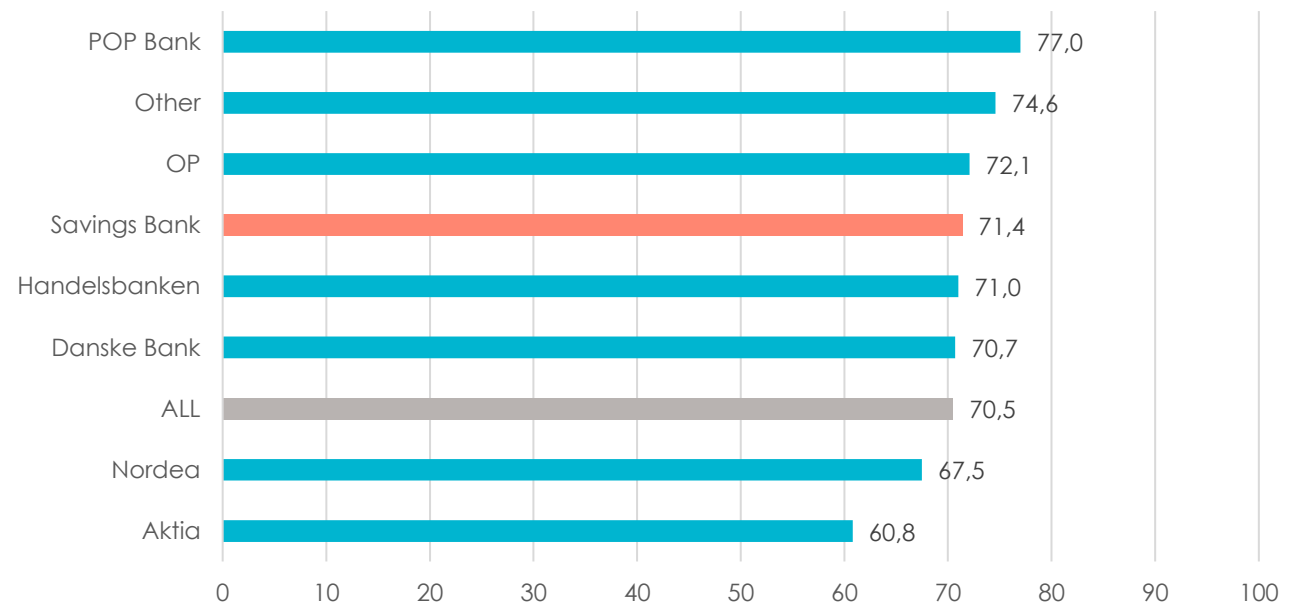
NPS (B2B)

NPS 84,7

customer meetings
in Saving Banks
in 1-6/2022

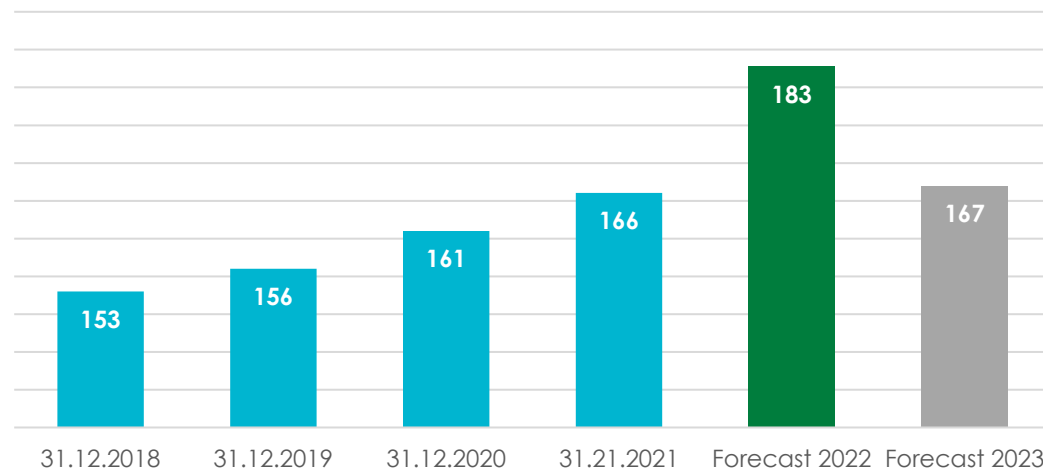
EPSI Rating 2022

Customer Satisfaction 2022 (B2B)

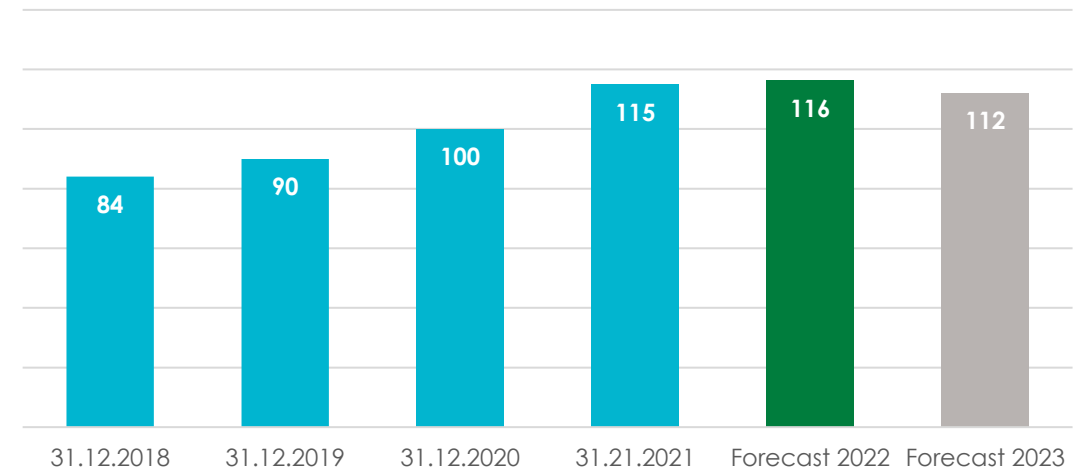


Development of core business of retail banking

Net interest income, million euros



Net fee and commission income, million euros



We have already successfully capitalised on our superior customer experience – it will continue to be the core of our competitive edge

Financials

Savings Banks Group 31.12.2021

The Savings Banks Group's key figures

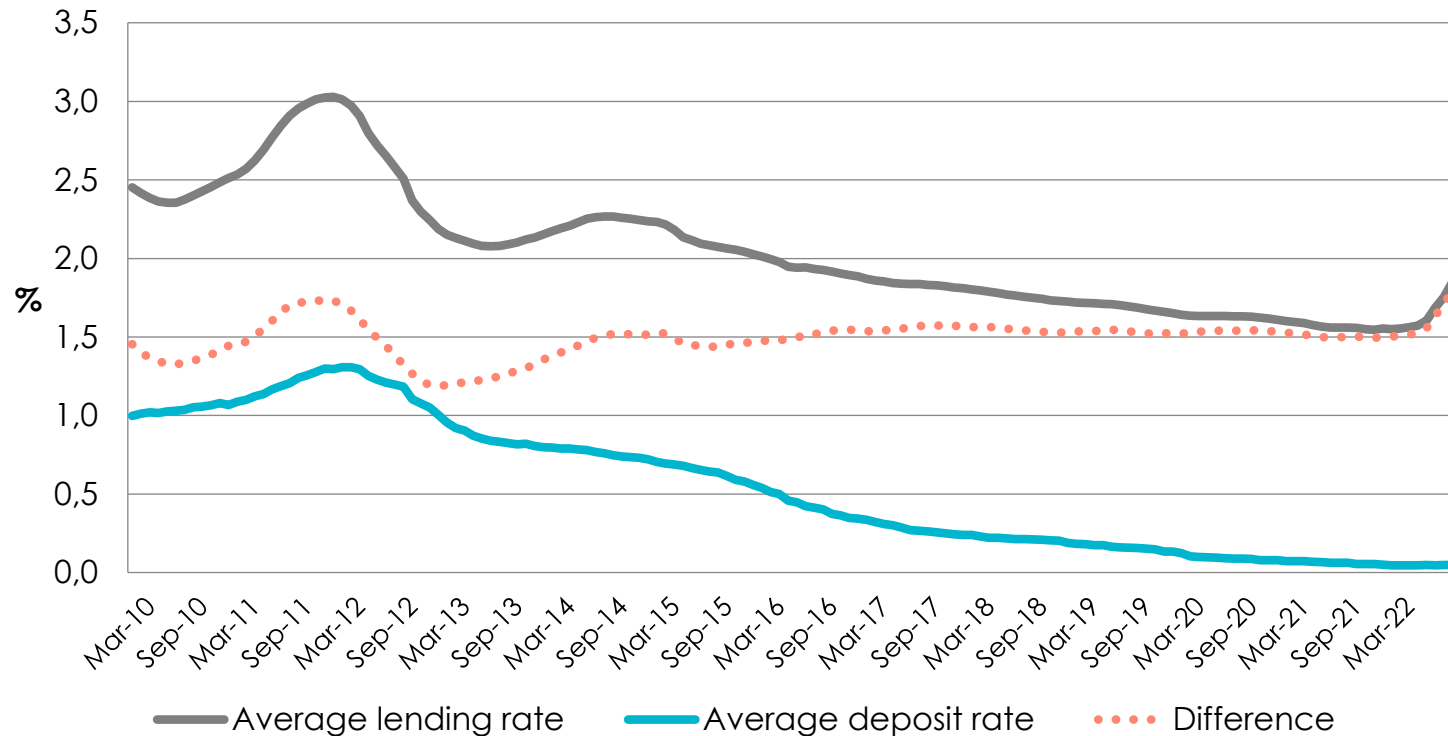
	H12022	FY2021	FY2020	FY2019	FY2018	FY 2017	FY 2016
Profit before tax	EUR 42,7	EUR 89,9m	EUR 66.7m	EUR 94.8m	EUR 36.4m	EUR 88.2m	EUR 69.6m
Net interest income	EUR 85,4	EUR 166,0m	EUR 161.0m	EUR 155.6m	EUR 152.7m	EUR 142.2m	EUR 131.7m
Cost-to-income	72,5%	72.1%	71.8%	68.2%	84.3%	64.7%	64.4%
Capital adequacy	Amalgamation Total capital 18,7% - CET1 18,7%	Amalgamation : Total capital 19.5% - CET1 19.5%	Amalgamation : Total capital 19.1% - CET1 19.0%	Amalgamation : Total capital 19.1% - CET1 18.8%	Amalgamation : Total capital 18.2% - CET1 17.6%	Amalgamation: - Total capital 19.1% - CET1 18.2%	Amalgamation: - Total capital 19.5% - CET1 18.5%
Leverage ratio	8,3%	8.9%	8.7%	9.1 %	8.6%	8.8%	9.1%
Loans and advances	EUR 10,0bn	EUR 9.6bn	EUR 9.3bn	EUR 8.9bn	EUR 8.6bn	EUR 7.8bn	EUR 7.0bn
Total assets	EUR 13,5bn	EUR 13.1bn	EUR 13.1bn	EUR 12.0bn	EUR 11.7bn	EUR 11.3bn	EUR 10.4bn
Personnel	1 404	1,419	1,418	1,391	1,386	1,343	1,270

The Savings Banks Group income statement

(EUR 1,000)	1-6/2022	1-12/2021	1-12/2020	1-12/2019	1-12/2018	1-12/2017	1-12/2016
Interest income	93 715	183 237	183 038	186 650	185 928	181 854	180 663
Interest expense	-8 347	-17 199	-22 071	-31 031	-33 224	-39 678	-48 970
Net interest income	85 367	166 039	160 967	155 619	152 704	142 176	131 693
Net fee and commission income	59 217	114 882	99 742	90 334	84 486	79 159	71 428
Net investment income	-17 386	17 223	19 569	36 668	-19 352	42 221	17 753
Net life insurance income	6 882	18 511	18 335	15 426	13 163	15 552	11 810
Other operating revenue	49 036	10 912	7 974	23 349	3 669	3 083	12 692
Total operating revenue	183 117	327 566	306 588	321 395	234 670	282 191	245 376
Personnel expenses	-51 826	-98 750	-89 510	-87 228	-83 561	-79 781	-76 117
Other operating expenses	-64 534	-119 127	-110 046	-111 569	-101 029	-88 913	-81 944
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-16 310	-18 340	-20 601	-20 347	-13 128	-13 999	-10 732
Total operating expenses	-132 670	-236 218	-220 157	-219 145	-197 718	-182 693	-168 792
Net impairment loss on financial assets	-7 787	-1 297	-19 760	-8 379	-3 868	-13 266	-8 411
Associate's share of profits	21	-198	70	936	3 323	1 977	1 430
Profit before tax	42 681	89 854	66 740	94 807	36 408	88 210	69 603
Income tax expense	-10 203	-17 091	-14 648	-20 675	-5 767	-16 316	-12 406
Profit	32 478	72 762	52 092	74 132	30 640	71 894	57 197
Profit attributable to:							
Equity holders of the Group	32 497	72 781	51 280	72 949	30 149	70 424	56 361
Non-controlling interests	-20	-19	812	1 183	492	1 471	835
Total	32 478	72 762	52 092	74 132	30 640	71 894	57 197

Development of lending and deposit rates at the Savings Banks

Development of lending and deposit rates at the Savings Banks



Average lending rate

- 8/2021 was 1.56%
- 8/2022 was 1.85% (+29 bps)

The average deposits rate

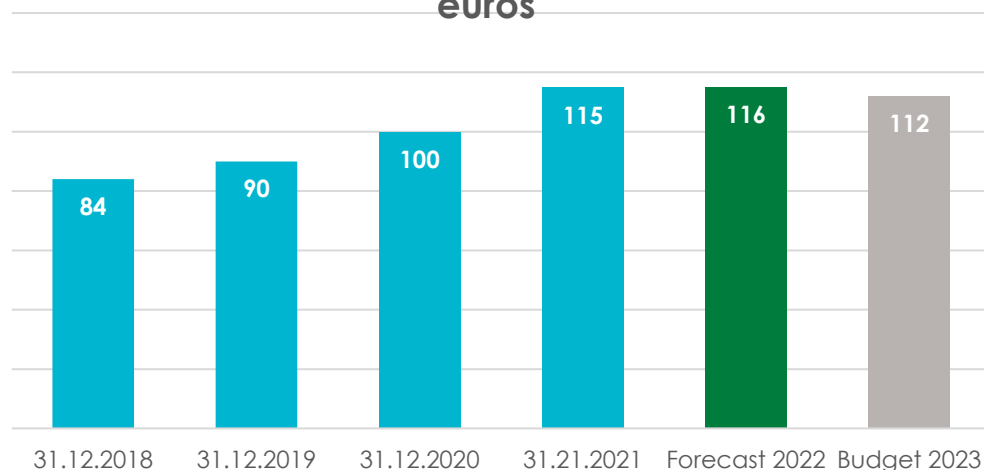
- 8/2021 was 0.05%
- 8/2022 was 0.05%(0 bps)

Interest rate margin

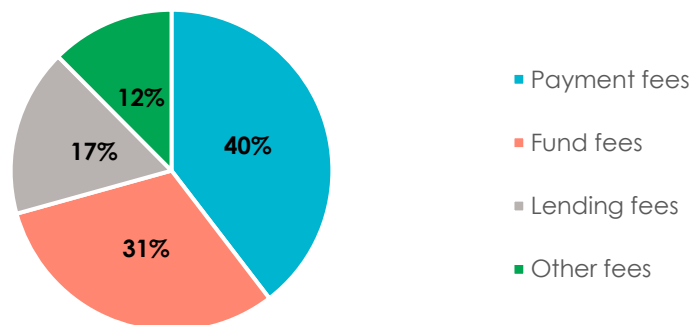
- 8/2021 was 1.50%
- 8/2022 was 1.80% (+29 bps)
- The interest rate margin has remained at approximately the same level since the founding of the Amalgamation and was 1.50% at the end of the year 2021.
- The rapid rise in interest rates affects the average lending rate and thereby increases the margin.
- The average interest rate on the deposit base reacts slowly to the rise in market interest rates.

Net fee and commission income

Net fee and commission income, million euros



Distribution of fees



Net fee and commission income

- The good development of customer business is reflected in the strong growth of fee income.
 - In 2021, the growth was 15.1 M€, 15.2%.
 - In 1-8/2022, the growth was 4 M€, 5,26 %
- Net fee and commission income, have grown by an average of 10% per year.
- The biggest increase has come from fund fees and the growth has been an average of 15%.

Payment fees:

- The increase in payment fees has been strongly focused on the years 2019 and 2020, when pricing changes were made in banks.
- The average growth in the period 2018-2021 has been 11.1%.

Fund fees:

- In 2021 was a particularly strong year for fund fees: Fund fees grew by 9.8 M€, 31.6%.
- In 1-8/2022, the growth was 4 M€, 5,26 %.

Capital Adequacy

Savings Bank Group

Strong capital adequacy and capital base

- The capital position of the Amalgamation of Savings Banks was at a very strong level at the end of June 2022.
- CET1 ratio was 18.7% and total capital ratio 18.7%.
- The capital base is predominantly consisting of Common equity Tier 1. Total own funds amounted to EUR 1 078 million and CET1 capital accounted for EUR 1 078 million.
- The current capital requirement for the Amalgamation is 12.01 % consisting of:
 - Statutory minimum capital adequacy requirement of 8 %
 - 1.5% Pillar 2 requirement set by FIN FSA.
 - Capital conservation buffer of 2.5% according to the Act on Credit Institutions.
 - the country-specific countercyclical capital requirements of foreign exposures.
- Capital adequacy will be kept at strong levels also going forward.
- From the beginning of 2022, the MREL requirement for the Savings Banks Amalgamation is 22.04% of the total risk exposure amount and 5.91% of the total exposures. Starting from the beginning of 2024, the MREL requirement for the Savings Banks Amalgamation will be 22.28% of the total risk exposure amount and 7.85% of the total exposures.

Own funds (EUR million)	30.6.2022	31.12.2021	31.12.2020	31.12.2019
Common Equity Tier 1 (CET1) before adjustments	1 118,3	1 137,3	1 113,3	1 064,7
Regulatory adjustments to CET1	-40,8	-40,7	-43,8	-36,1
Common Equity Tier 1 (CET 1) capital	1 077,5	1 096,6	1 069,6	1 028,6
Additional Tier 1 (AT1) capital	0,0	0,0	0,0	0,0
Tier 1 capital (T1 = CET1 + AT1)	1 077,5	1 096,6	1 069,6	1 028,6
Tier 2 (T2) capital before regulatory adjustments	0,6	1,7	6,1	15,4
Regulatory adjustments to T2 capital	0,0	0,0	0,0	0,0
Tier 2 capital	0,6	1,7	6,1	15,4
Total capital (TC = T1 + T2)	1 078,1	1 098,3	1 075,7	1 044,0

Capital ratios and leverage ratio	30.6.2022	31.12.2021	31.12.2020	31.12.2019
Common Equity Tier 1 ratio, %	18,7 %	19,5 %	19,0 %	18,8 %
Tier 1 ratio, %	18,7 %	19,5 %	19,0 %	18,8 %
Total capital ratio, %	18,7 %	19,5 %	19,1 %	19,1 %
Leverage ratio, %	8,3 %	8,9 %	8,7 %	9,1 %

Capital requirement is driven by credit risk

- The Amalgamation's credit risk, counterparty risk and credit valuation adjustment (CVA) and market risk for currency position are calculated using the standard model. Operational risk capital requirement is calculated with the basic method.
- Major part of the capital requirement comes from credit risk (88% at June 2022).
- Capital requirement for market risk is zero, because the total net foreign exchange position is less than two per cent of the aggregate amount of the own funds.
- The Amalgamation has no trading activity for own or customers' account. The member credit institutions may have a so called small trading book as defined in article 94 of the CRR.

(EUR million)	30.6.2022	31.12.2021	31.12.2020	31.12.2019
Total capital base	1 078,1	1 098,3	1 075,7	1 044,0
Capital requirement for credit risk	413,0	397,9	398,4	387,6
Capital requirement for credit valuation adjustment (CVA)	3,0	6,7	8,9	8,1
Capital requirement for market risk	0,0	0,0	2,4	2,3
Capital requirement for operational risk	45,5	45,5	41,4	40,0
Total capital requirement (8%)	461,5	450,1	451,1	438,1

Funding and Liquidity

Structure

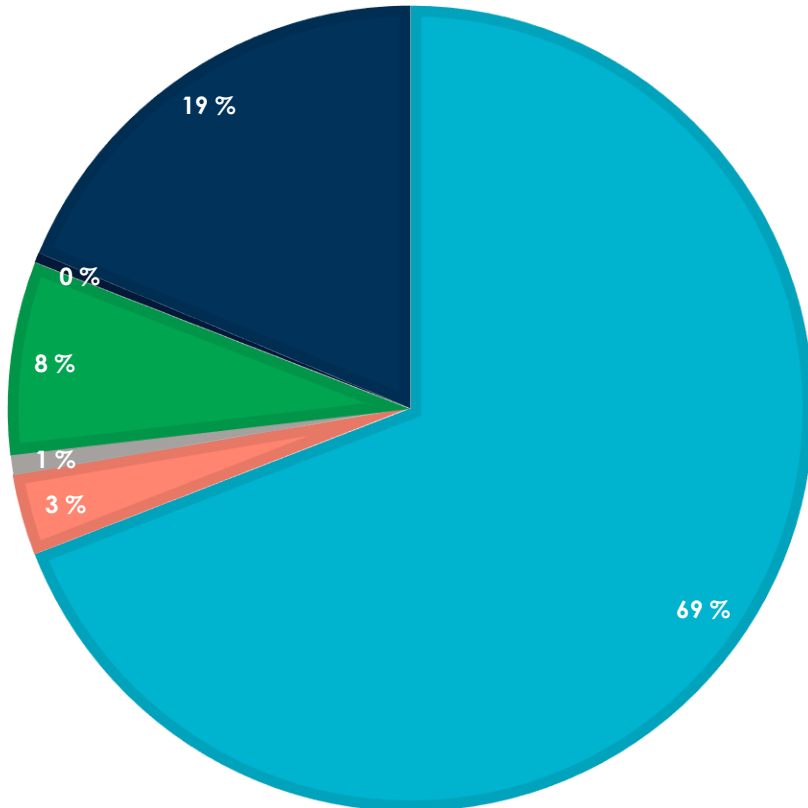
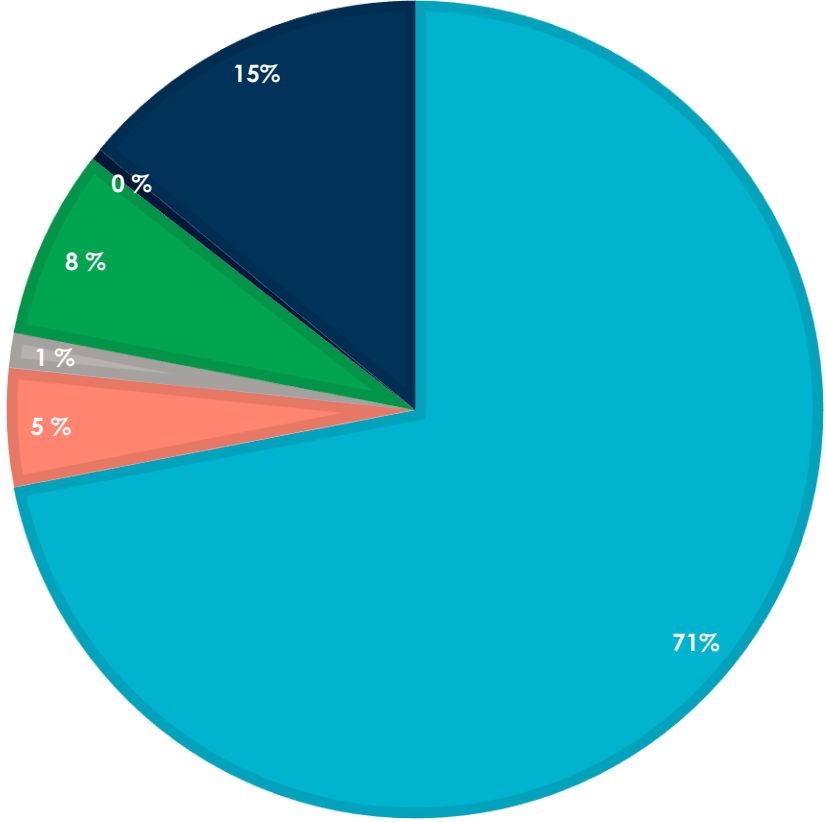
Funding Structure 2022 - 2024

30.6.2022

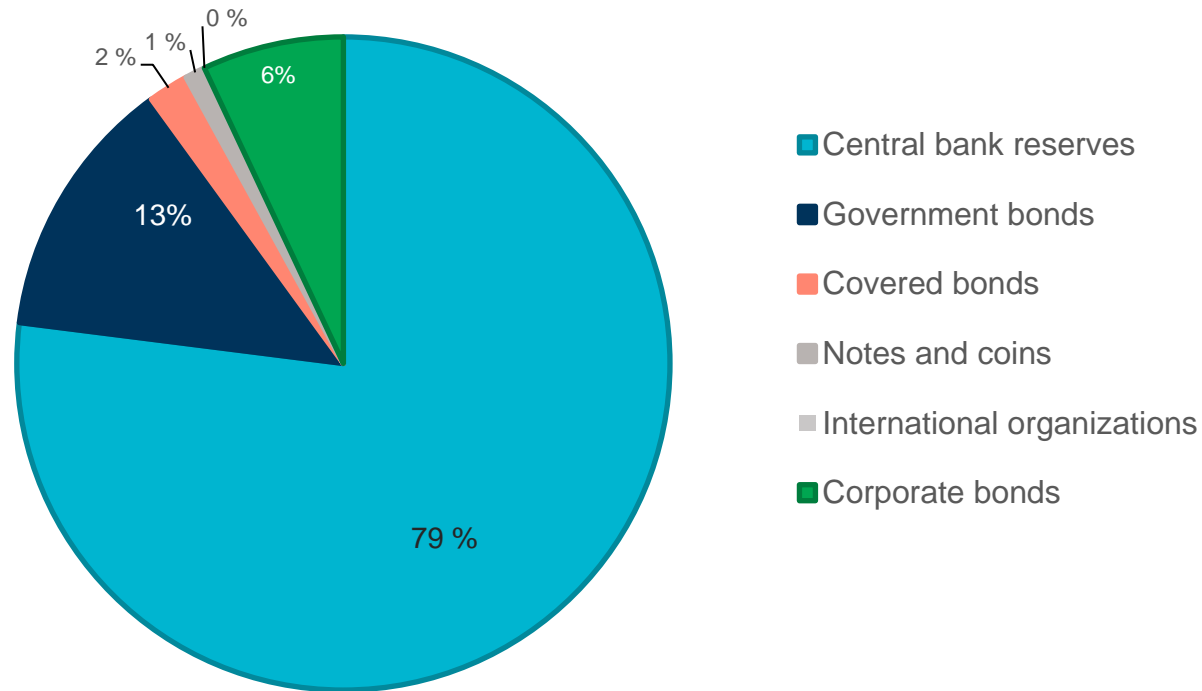
2024

- Retail deposits
- Wholesale deposits
- Domestic CDs
- EMTN / Senior Unsecured
- ECB Funding
- Covered Bonds

- Retail deposits
- Wholesale deposits
- Domestic CDs
- EMTN / Senior Unsecured
- ECB Funding
- Covered Bonds



Liquidity Buffer 30.6.2022



- The Group LCR was 139,0 % as per 30.6.2022
- The Group NSFR was 125,4,% as per 30.6.2022
- The Group is MREL compliant. The requirement is either 22,04% of TREA or 5,91% of LREA
- No subordination requirement for covering MREL

Sustainability

Highlights in CSR 1-9/22

Social and governance

- Implemented sustainability governance model, clarified responsibilities and appointed Head of ESG for Savings Banks Group
- New sustainability programme and sustainability roadmap

Climate

- Implemented first obligations under the EU taxonomy regulation
- Assessment of CO2 emissions ongoing for loan portfolios and concluded for own activities
- Annual climate scenario analysis and stress tests (PACTA method and Bank of England stress test) for investment portfolios

Engagement

- TCFD supporter (Sp-Fund Mgmt)
- Engagement through investor initiatives, e.g., Climate Action 100+, CDP (Climate Change, Forest, Water, SBTi and Non disclosure Campaign).

Savings Banks Group's Sustainability Programme

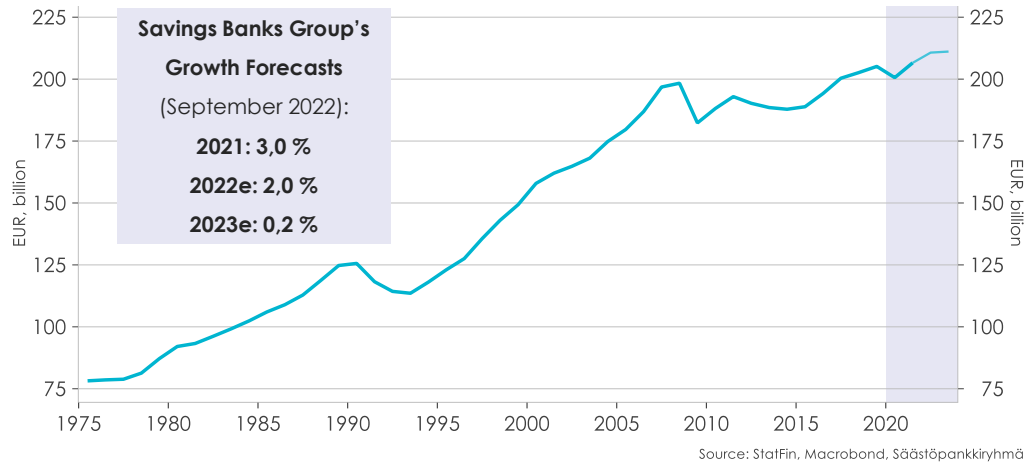


A woman with blonde hair tied back, wearing a light pink, short-sleeved, knee-length dress with a ruffled hem. She is smiling and has her hands clasped in front of her chest, forming a heart shape. The background is a solid teal color.

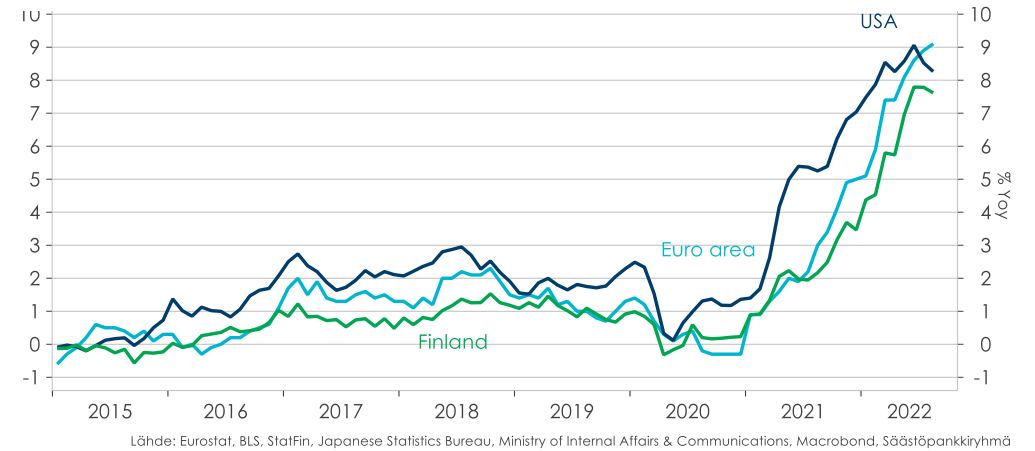
Finnish Economy and Housing Market

Finnish Economy

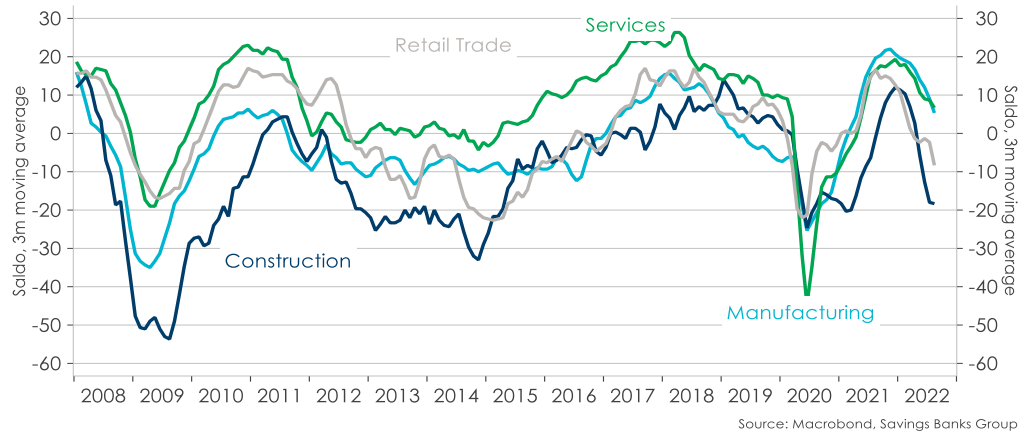
The Finnish economy will face a mild recession H2/2022



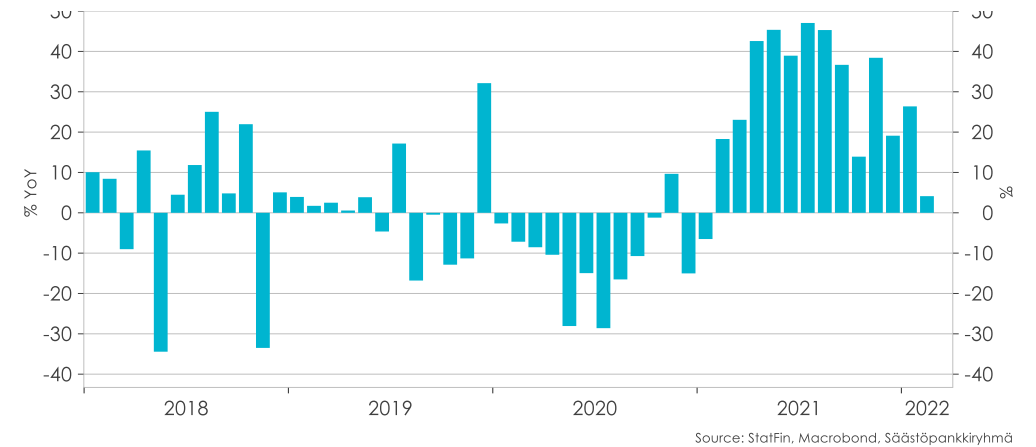
Inflation is high also in Finland, latest figures show some moderation



Business confidence has continued to decline

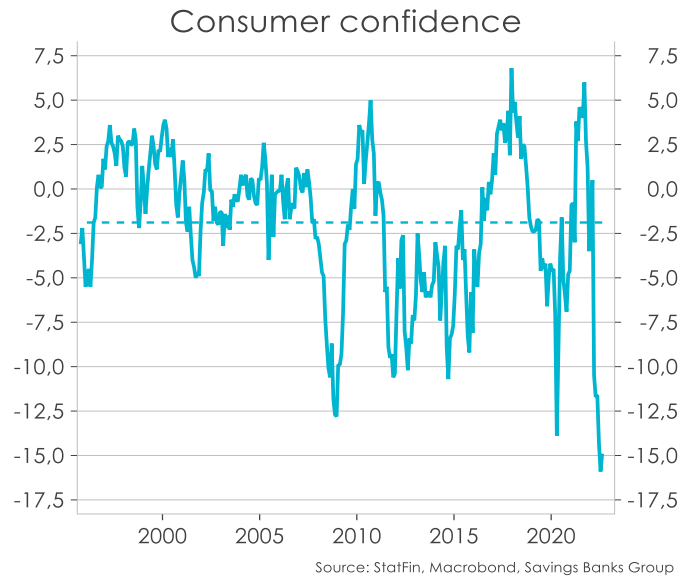


Manufacturing order book still relatively good, but growth rate has started to decline

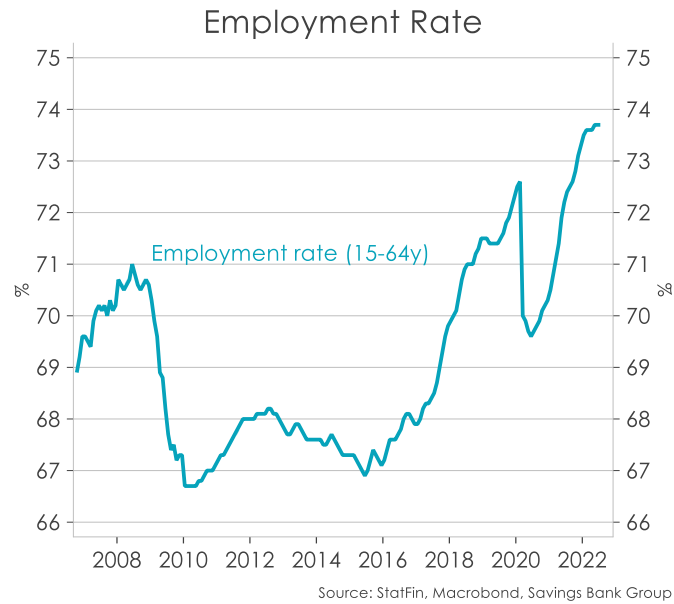


Finnish Economy

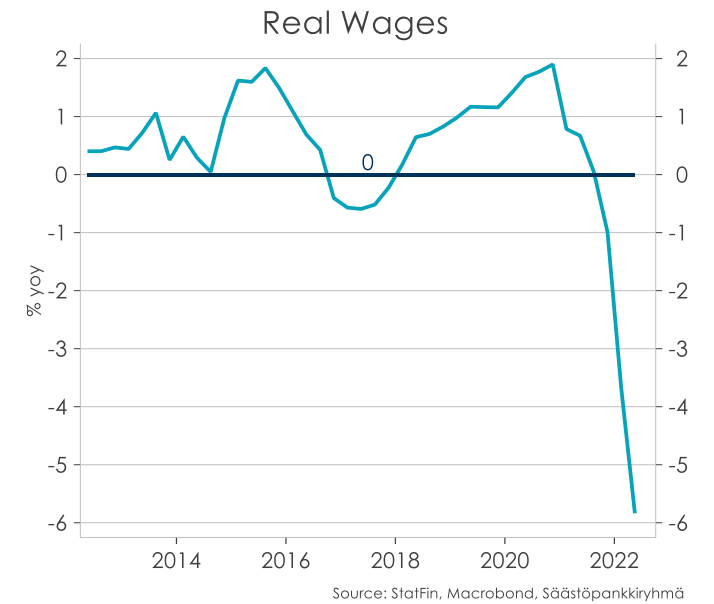
Consumer confidence is very low



The Employment rate still record high

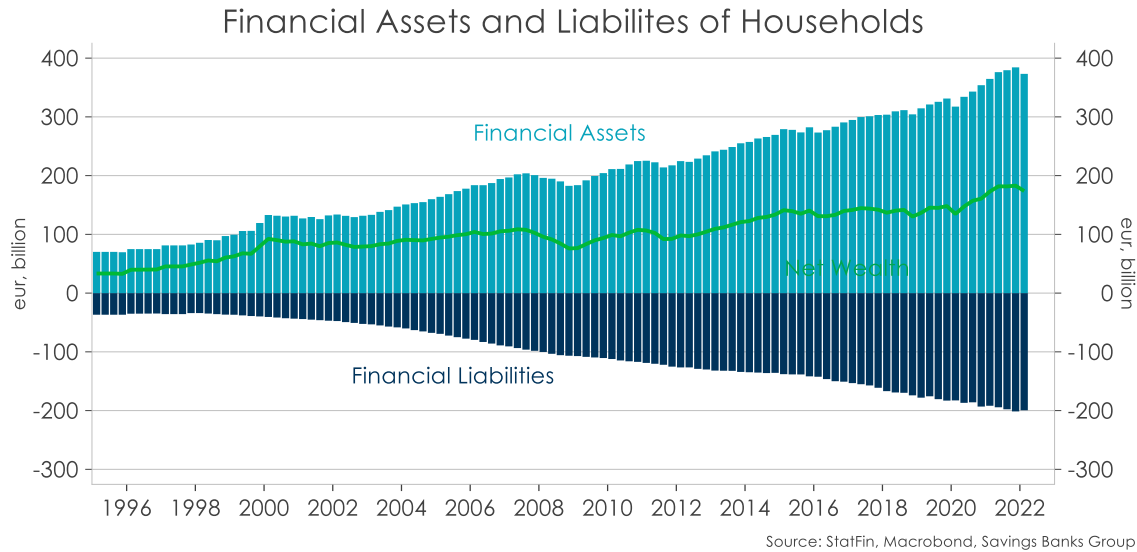


Real Wages decline very fast

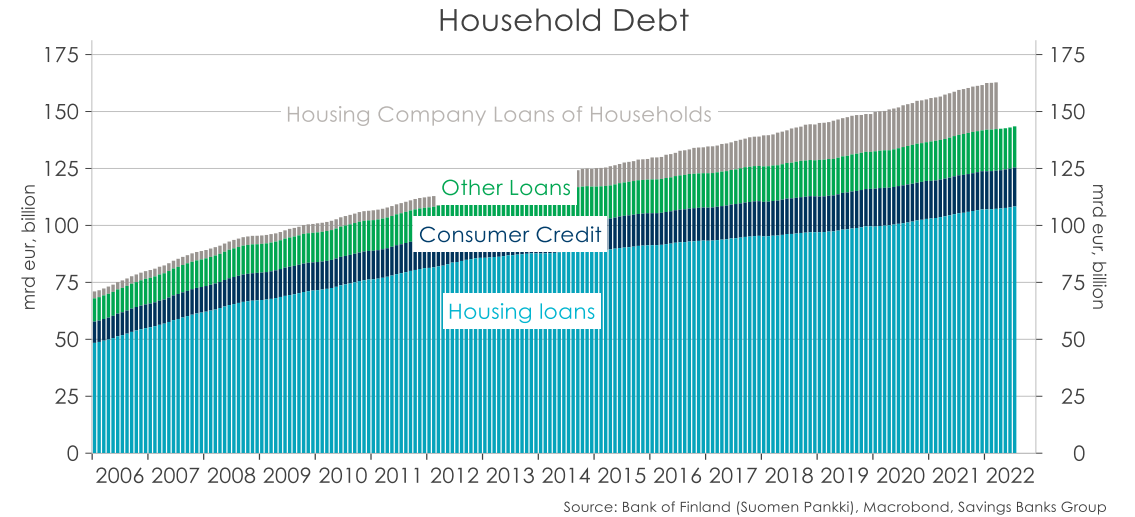


Finnish Economy

Household's financial assets have been growing faster than liabilities



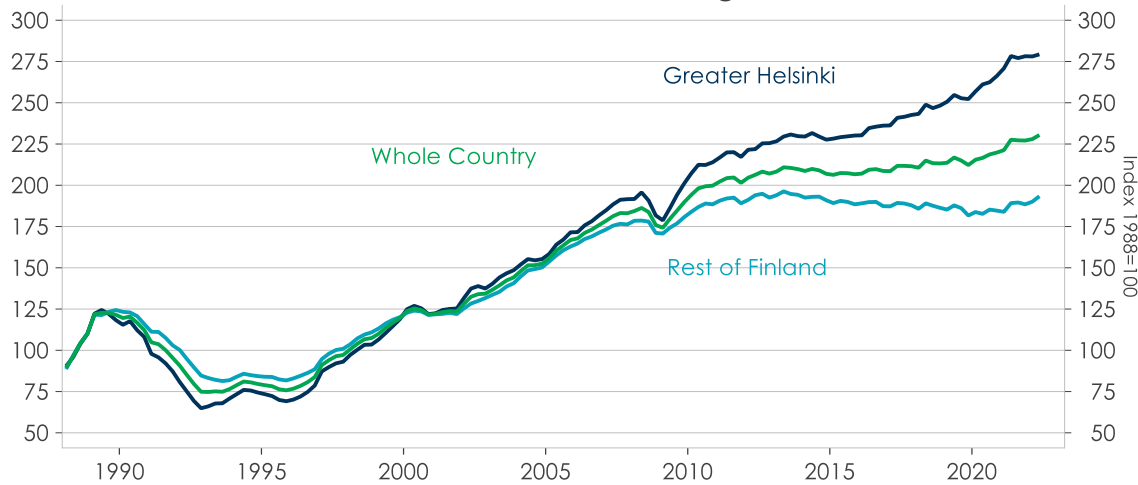
Household's indebtedness has also increased, growth in housing loans expected to moderate in 2022-2023



Finnish Economy

Long-term trend: house prices are fragmented in Finland, in 2023 house prices expected to be flat

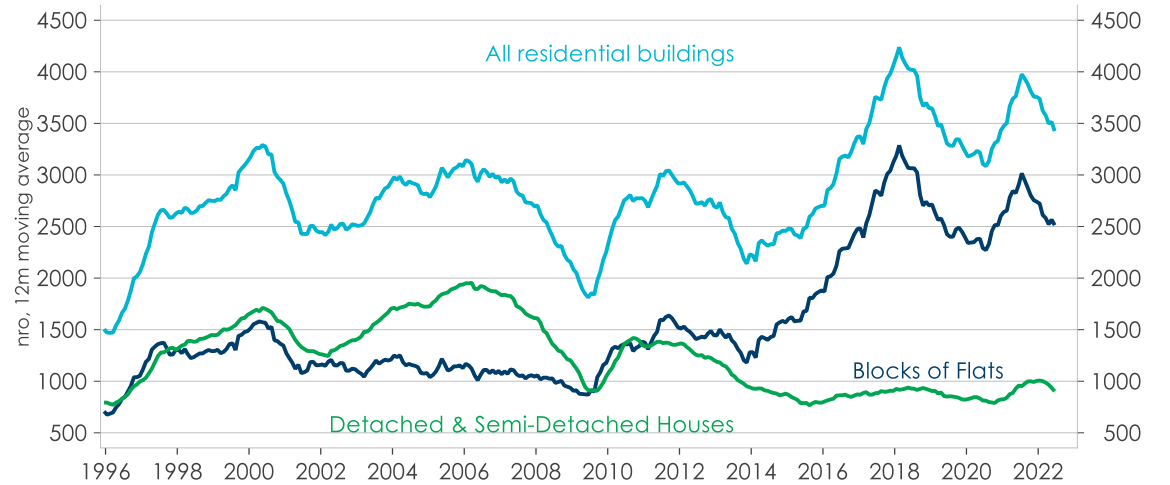
Price of Old Dwellings



Source: StatFin, Macrobond, Savings Banks Group

Construction will decline from peak levels

Construction Permits



Source: StatFin, Macrobond, Savings Banks Group

Sp Mortgage Bank

2022

Sp Mortgage Bank in brief

- Sp Mortgage Bank Plc is the covered bond funding vehicle of Savings Banks Group
- Licensed by the European Central Bank to issue covered bonds according to the Finnish covered bond legislation (Covered Bond Act (131/2022) or CBA)
- Sp Mortgage Bank's sole purpose is to raise funding for Savings Banks Group by issuing covered bonds with mortgage collateral
- Sp Mortgage Bank is 100% owned by the Savings Banks in the Group
- The covered bonds issued are rated AAA by S&P, are ECB eligible and qualify for the label 'European Covered Bond (Premium)'
- Sp Mortgage Bank benefits fully from the joint liability based on the Act on the Amalgamation of Deposit Banks (599/2010)



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

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

New cover pool characteristics as of 31 August 2022

Pool size	EUR 975.9 million
Collateral	100% Finnish prime mortgages
Geographical distribution	Throughout Finland, a majority in growth centers and their close proximity
Average loan size	EUR 39,200
Number of loans	24,902
Average LTV (indexed/unindexed)	62.7% /61.8%
Average seasoning	50.6 months
Non-performing loans / loans in arrears	0 bp / 14 bp (<30days)
Interest base	86 % variable, 14 % fixed
Over-collateralization (estimate)	95.2% (based on a 500m issue amount)

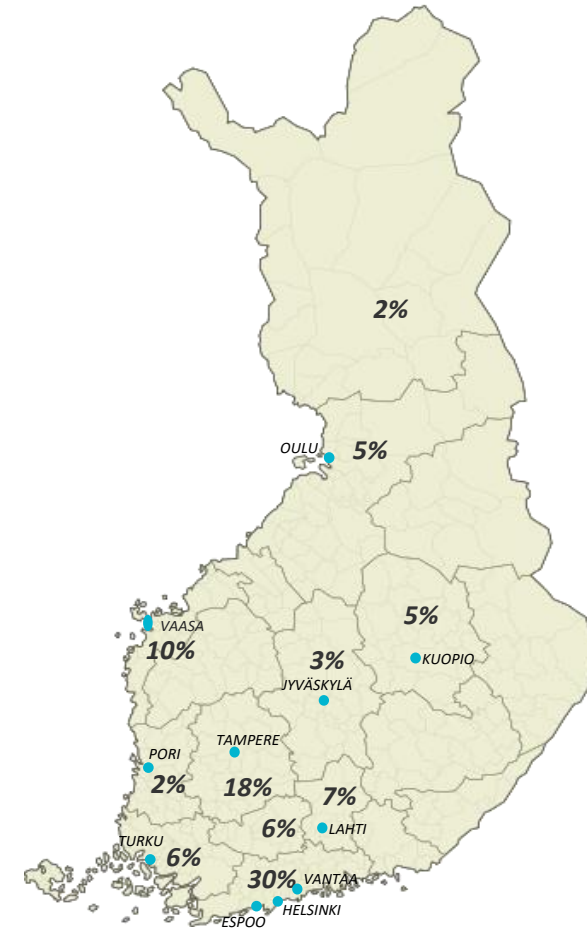
Geographically well diversified new cover pool

- The cover pool is well diversified throughout Finland with a majority in close proximity to key growth centers.

Regional distribution of cover pool as of 30 August 2022

Region	Major City	Region's Population(1)	Mortgages, EUR mn	Share of the pool
Helsinki-Uusimaa	Helsinki	1,714,741	290	30 %
Pirkanmaa	Tampere	527,478	173	18 %
Pohjanmaa	Vaasa	176,041	99	10 %
Päijät-Häme	Lahti	205,124	70	7 %
Varsinais-Suomi	Turku	483,477	57	6 %
Kanta-Häme	Hämeenlinna	170,213	54	6 %
Pohjois-Savo	Kuopio	248,363	49	5 %
Pohjois-Pohjanmaa	Oulu	415,603	44	5 %
Keski-Suomi	Jyväskylä	272,683	31	3 %
Lappi	Rovaniemi	176,494	19	2 %
Satakunta	Pori	214,281	18	2 %
Rest of Finland	-	943,743	72	7 %
TOTAL		5,548,241	976	100 %

Regional distribution of cover pool and Finland's 10 largest cities⁽²⁾

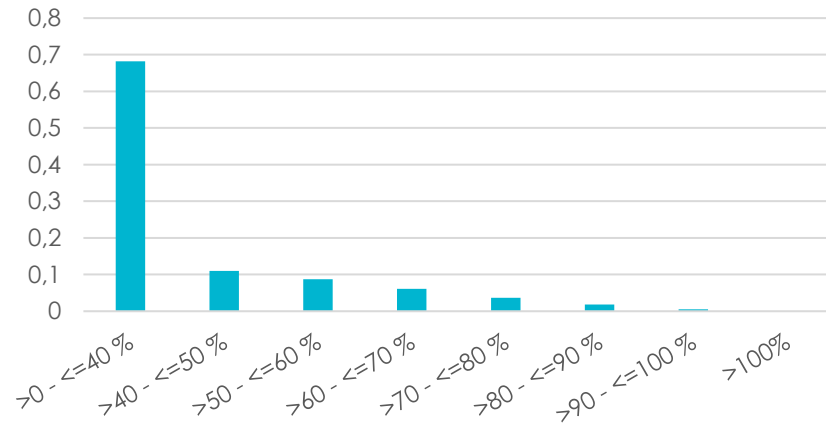


Sources: (1) Statistics Finland: Finnish Regional Population 31.12.2021

(2) The Association of Finnish Local and Regional Authorities: City population 31.12.2020

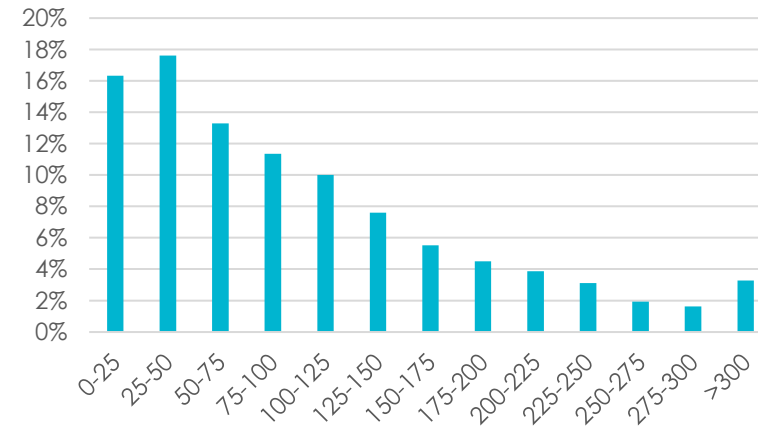
Breakdown of new cover pool as of 31 August 2022

LTV distribution



Continuous LTV

Loan distribution by size

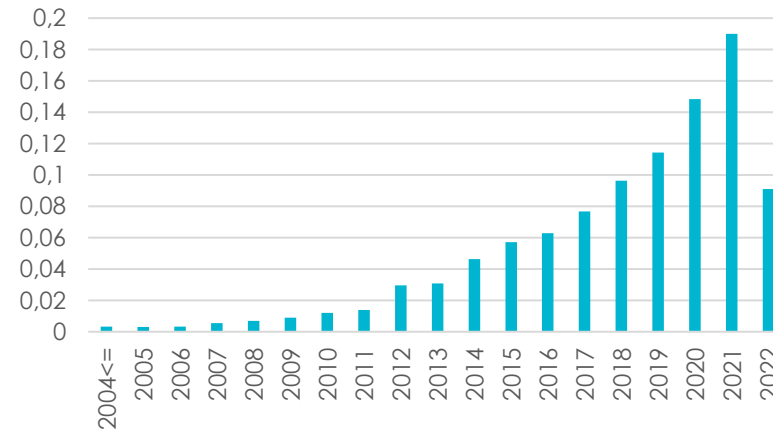


Loan balance, EUR thousand

Loan maturity profile



Loan balance by origination year



Underwriting criteria

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

Collaterals, loan decision, servicing and collection

Collaterals

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

Loan decision

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

Servicing and collection

The originating Savings Banks are responsible for:

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

Appendices



Savings Bank

Covered Bond Act 1/2

- Finnish Covered Bond Act (“CBA”, statute 151/2022)
- Segregation of assets in the bond register (issued covered bonds, collateral, liquidity reserve, relevant derivative contracts).
- Covered bonds are issued either by specialized mortgage credit bank or any licensed credit institution authorized by FIN-FSA to engage mortgage credit bank business.
- Cover pool can consist of mortgage loan collateral (both residential and commercial), public sector loans, liquidity buffer and supplementary collateral. Loans secured by residential property have a collateral value that is the lesser of the loan principal amount and 80 % of the value of the mortgaged properties (60% for commercial loans).
- Coverage requirements
 - Overcollateralization requirement in nominal terms is 5 %.
 - Overcollateralization requirement in net present value terms is 5 %.
- Liquidity requirements
 - The cover pool liquidity buffer shall cover the maximum cumulative net liquidity outflow over the next 180 days.
- Swap counterparties to covered bond programs rank equally with bondholders if the issuer becomes insolvent. This improves the chances of attracting third-party counterparties to provide hedging for the programs, even after the issuer defaults.

Covered Bond Act 2/2

- Bankruptcy remoteness and preferential claim
 - Covered Bond holders (along with counterparties to Derivative Transactions and providers of Bankruptcy Liquidity Loans) are given a statutory priority in the liquidation or bankruptcy of the Issuer.
 - Covered Bond holders together with counterparties of registered derivatives and bankruptcy liquidity loans in bankruptcy would rank pari passu and in respect of each Mortgage Loan included in the cover pool for a covered bond, the priority of payment right in accordance with the CBA is limited to a maximum amount which corresponds to 80 % in respect of Housing Loans and to 60 % in respect of Commercial Property Loans of the current value of shares or real estate which stand as collateral.
- Post-bankruptcy procedures
 - When the issuer has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall, without delay, appoint a supervisor in accordance with Section 29 of the Finnish Act on the Financial Supervisory Authority to protect the interests of creditors of covered bonds and creditor entities comparable to such and to enforce their right to be heard.
 - In bankruptcy proceedings the courts will by operation of law appoint a bankruptcy administrator to administer the bankruptcy estate. The cover pool will be run by the bankruptcy administrator, but the supervisor will supervise the bankruptcy administrator, acting in the interest of the holders of the covered bonds.
 - To the extent that claims of the Covered Bondholders in respect of the Covered Bonds are not met out of the Cover Pool, the residual claims of the Covered Bondholders will rank pari passu with the unsecured and unsubordinated obligations of the Issuer.

The Amalgamation of Savings Banks

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

Investors' position is stronger in the Amalgamation

Joint liability

- **The Amalgamation improves investors' position because the liability for repayment of debt does not lie with an individual entity but within the central institution and the member credit institutions in accordance with the Amalgamations Act.**
- The Amalgamation is based on the principle that it is a stable and permanent structure. In practise, it acts like one operator without being a conglomerate.
- Under the Amalgamations Act, the central institution and the member credit institutions are **jointly liable for each others' debts and commitments:**
 - The central institution is liable to pay, as a support measure, to any of its member credit institutions an amount that is necessary to prevent that member credit institution from being placed in liquidation.
 - Each member credit institution shall be liable to pay to the central institution, in proportion to their last adopted balance sheets, the amount paid by the central institution.
 - Furthermore, upon insolvency of the central institution, a member credit institution shall have unlimited refinancing liability for the central institution's debts.
- **In the Amalgamation of Savings Banks the joint liability currently comprises 15 Savings Banks, CBSBF, Sp Mortgage Bank and the Union Coop (the central institution).**

Early intervention model

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

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

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

**The Internal operational
principles**

(No legal requirement for these
principles)

**The Early Intervention
model**

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

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Read more at www.saastopankki.fi/debtinvestors

Thank you!

www.saastopankki.fi



Savings Bank