

# Sp Mortgage Bank and Savings Banks Group

Investor Presentation

April 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 17 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 December 2021, the Savings Banks Group companies employed around 1,419 employees

## The Amalgamation of Savings Banks

- The 16 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

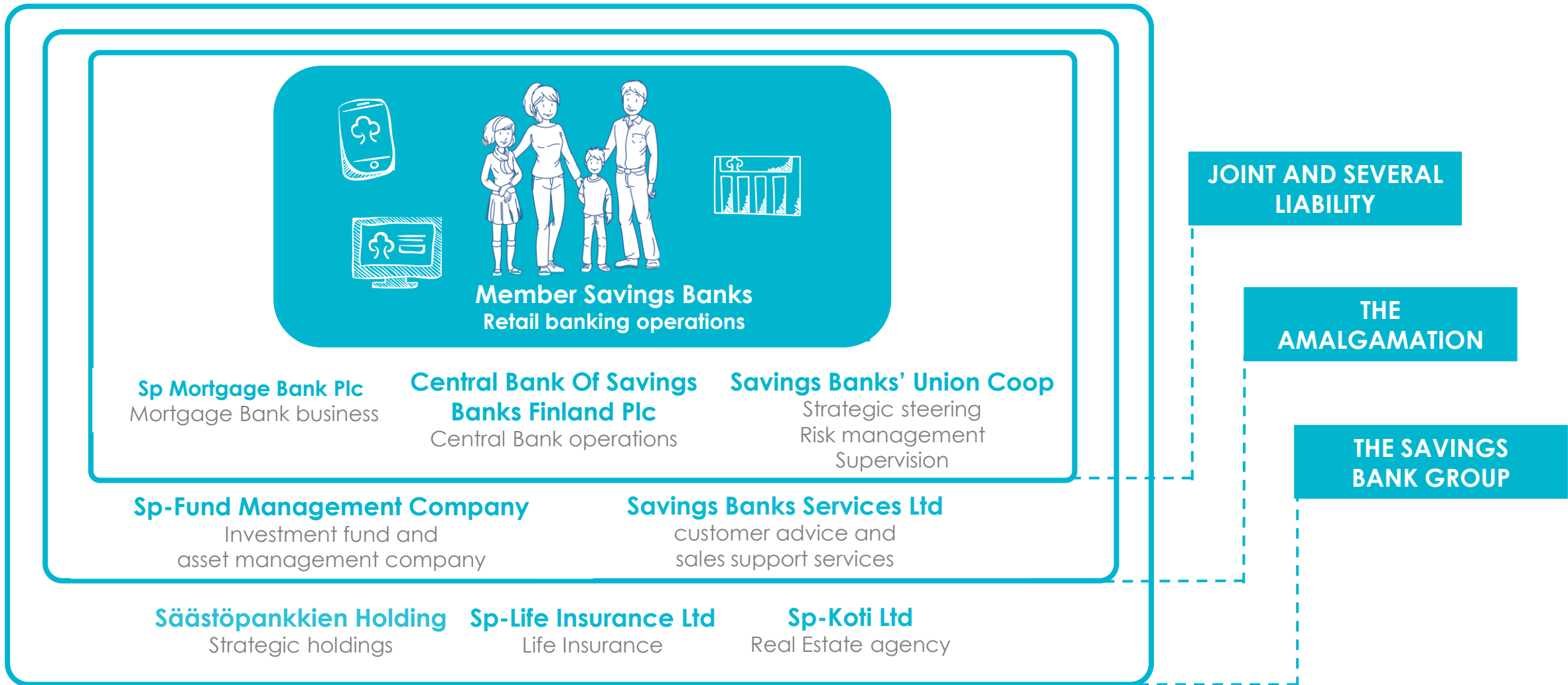
- Total assets were EUR 13.1bn at the end of 31 December 2021. The Group's profit before taxes amounted to EUR 89.9m
- Loan book of EUR 9.6bn consists mainly of residential mortgages with low loan loss impairments of 0.05% at the end of December 2021
- Large and stable deposit base of EUR 7.7bn comprises the largest part of the Group's funding
- Strong capital position reflected by a CET1 ratio of 19.5% and a total capital ratio of 19.5% at the end of 31 December 2021
- Solid leverage ratio of 8.9% at the end of 31 December 2021 (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 53.3% at the end of 2021

# 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

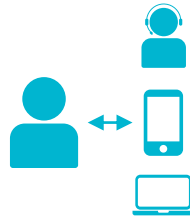
# PURPOSE

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



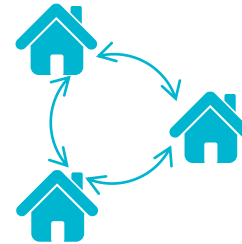
BUSINESS

**Profitable and sustainably growing customer business**



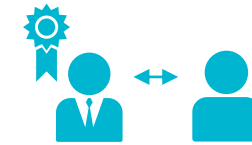
COMPETITIVE  
ADVANTAGE

**“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 and more coherent group



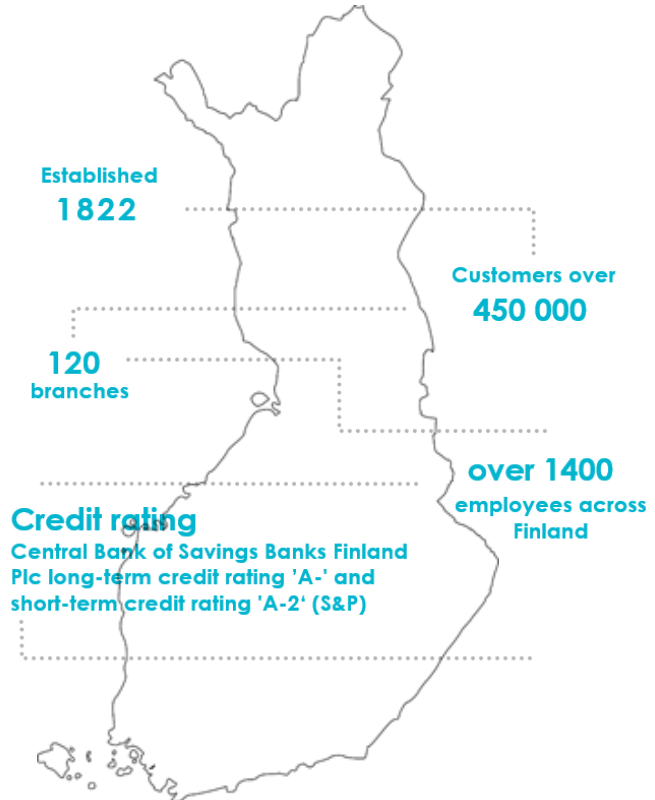
# Market Position

# 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
- Ylihärmän Säästöpankki

# Savings Banks Group – Part of Society for nearly 200 years

Our aim is to responsibly promote the financial wellbeing and prosperity of people in Finland.  
With our expertise, we enable our customers to live a better life.

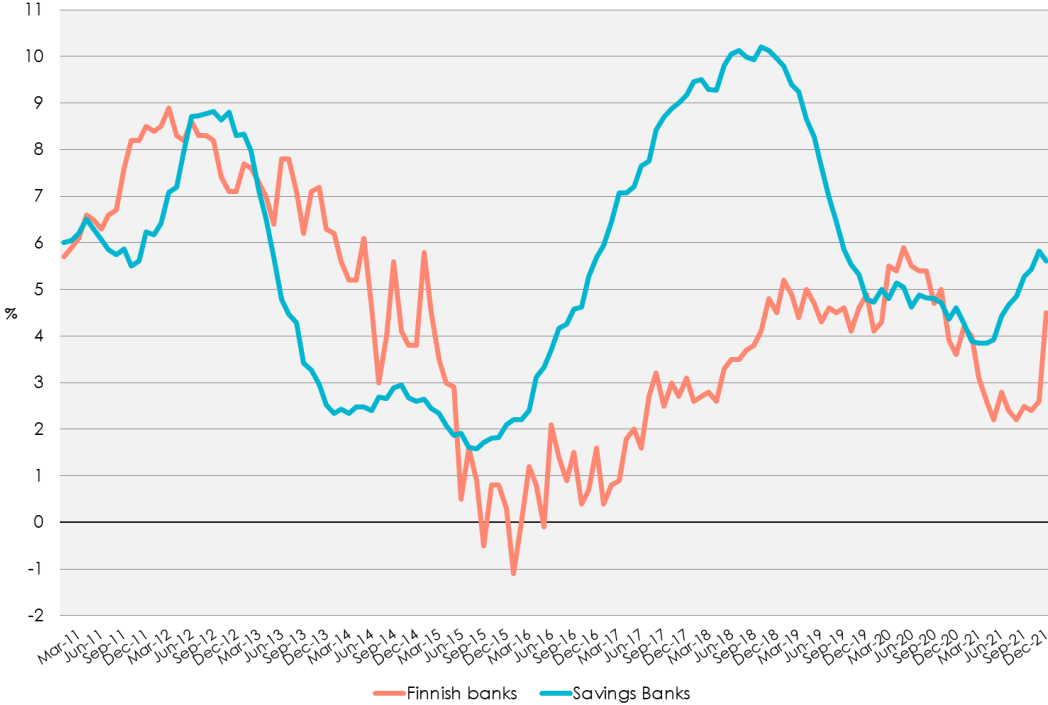


Savings Banks Group cover 16 local Savings Banks and Savings Banks centrum, which is located in Helsinki. We offer to our customers wide variety of retail banking services as well as investment, real estate and insurance services.

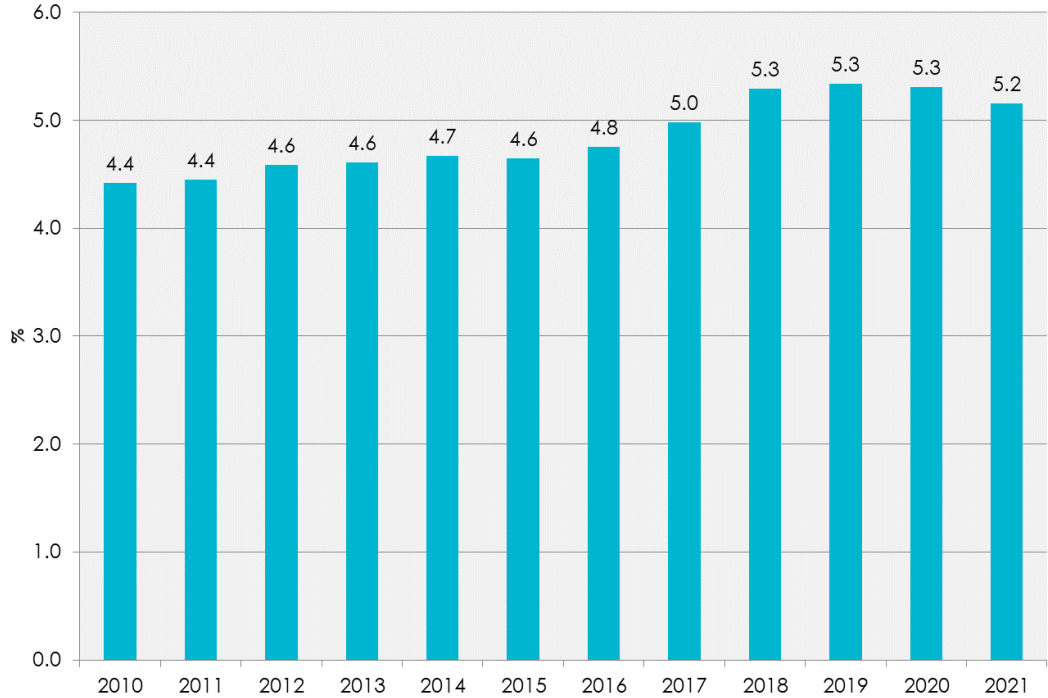


# Growth in Savings Banks' loan portfolio (includes Savings Banks Mortgage Bank)

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

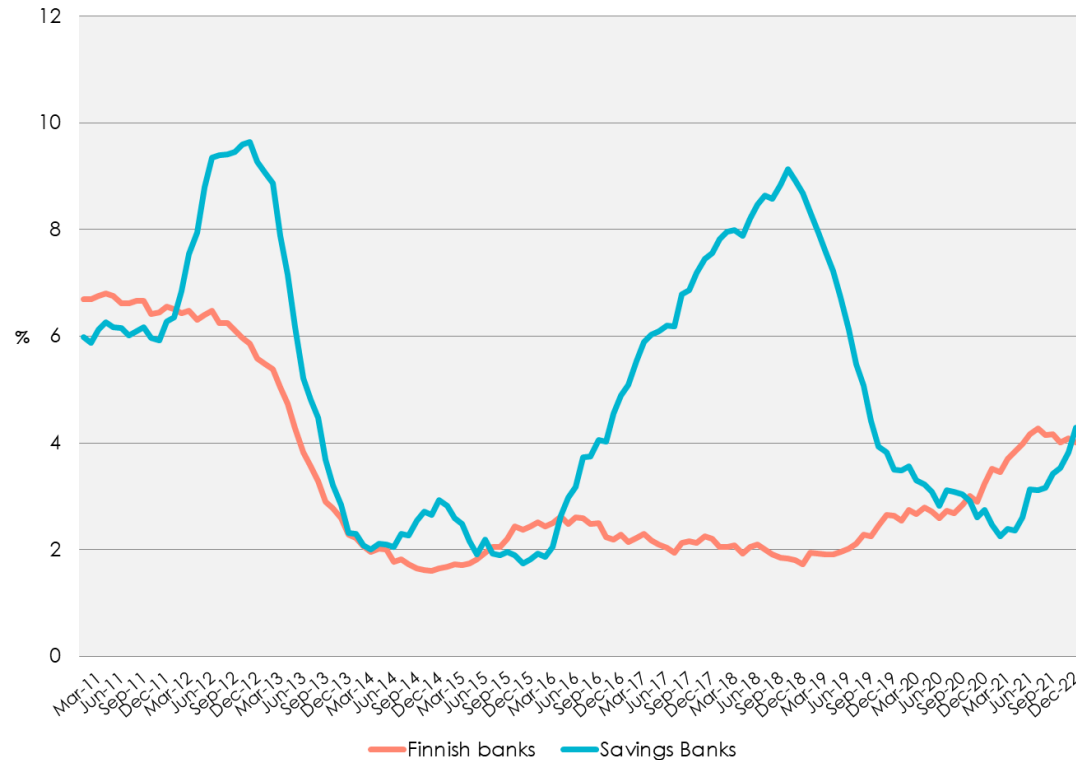


Savings Banks's market share (loans)  
Savings Banks vs. Finnish banking sector

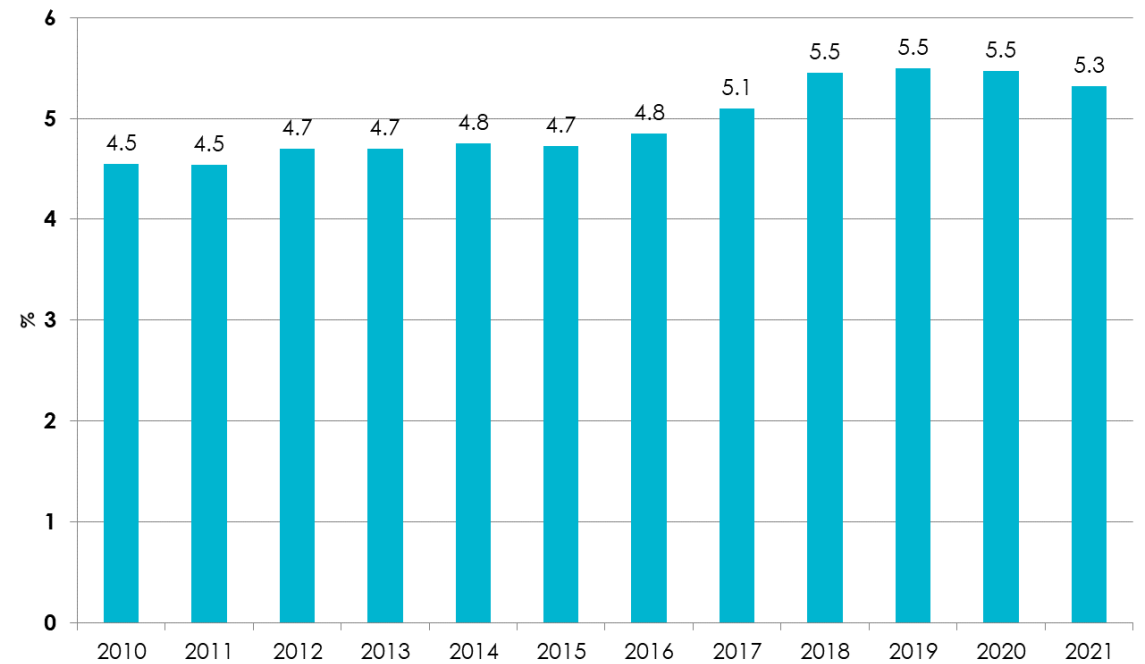


# Savings Banks can maintain growth in mortgage loans

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

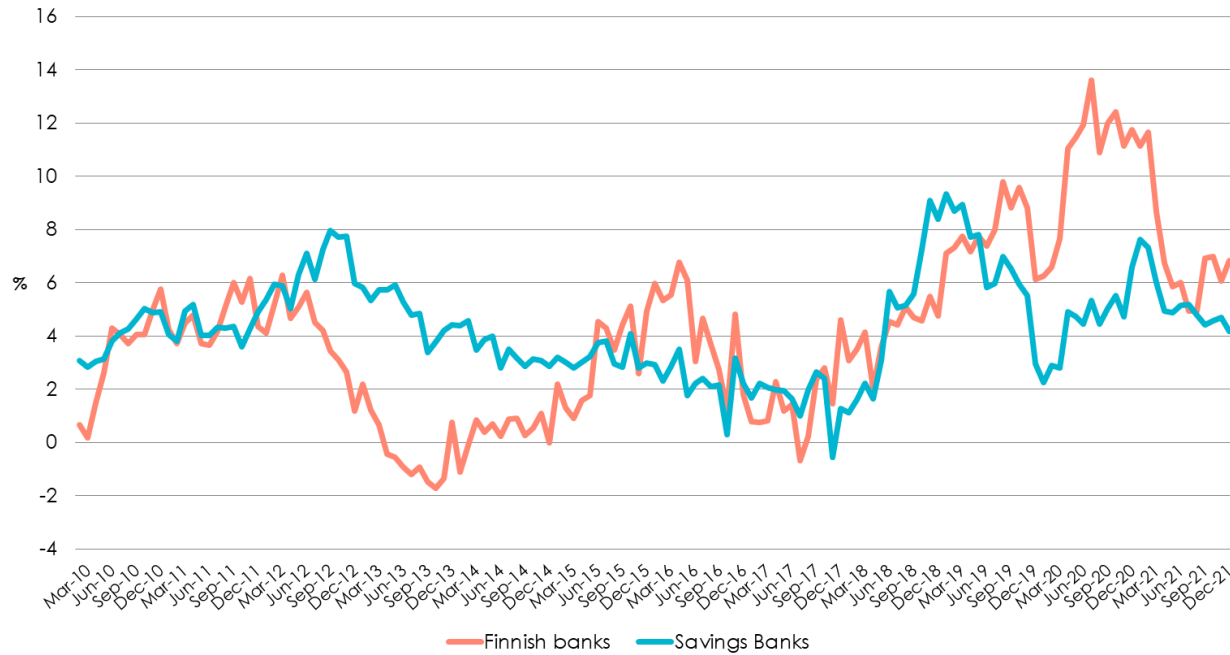


**Savings Banks mortgage loans' market share**  
Savings Banks vs. Finnish banking sector

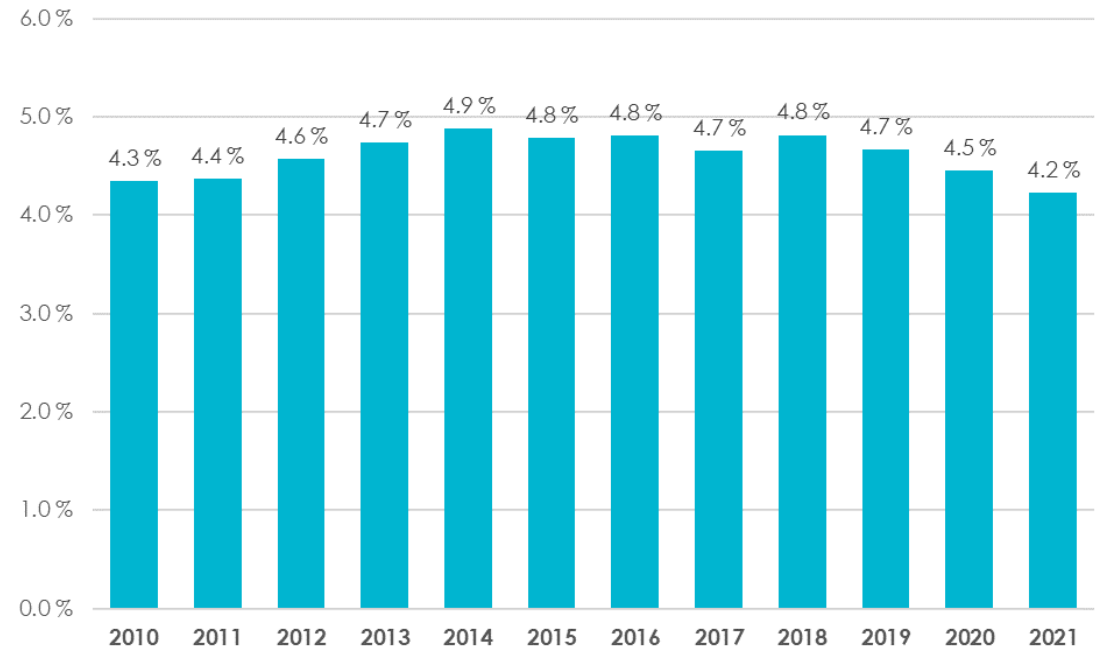


# Savings Banks' deposits

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



**Deposits market share**  
Savings Banks vs. Finnish banking sector



# Customer experience and satisfaction in private customers in an excellent level

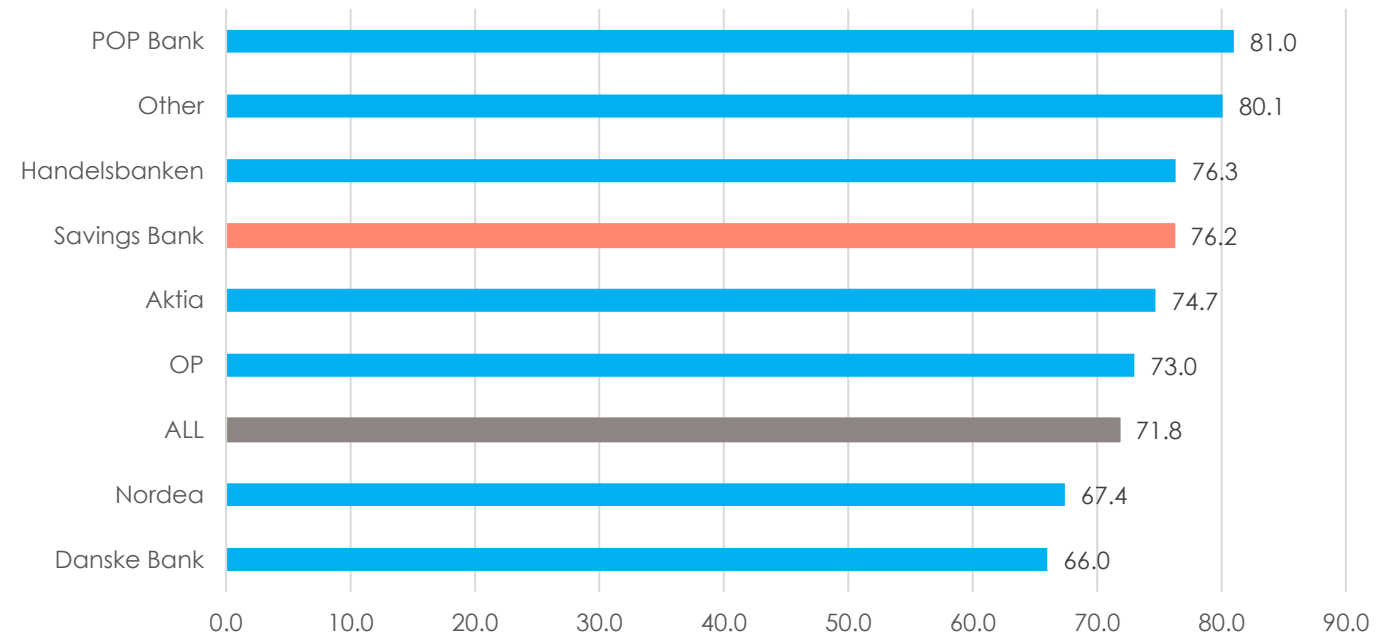
NPS (B2C)

**NPS 82.4**

customer meetings  
in Saving Banks  
in 1-12/2021

EPSI Rating 2021

Customer Satisfaction 2021 (B2C)



# Customer experience and satisfaction in corporate customers in an excellent level

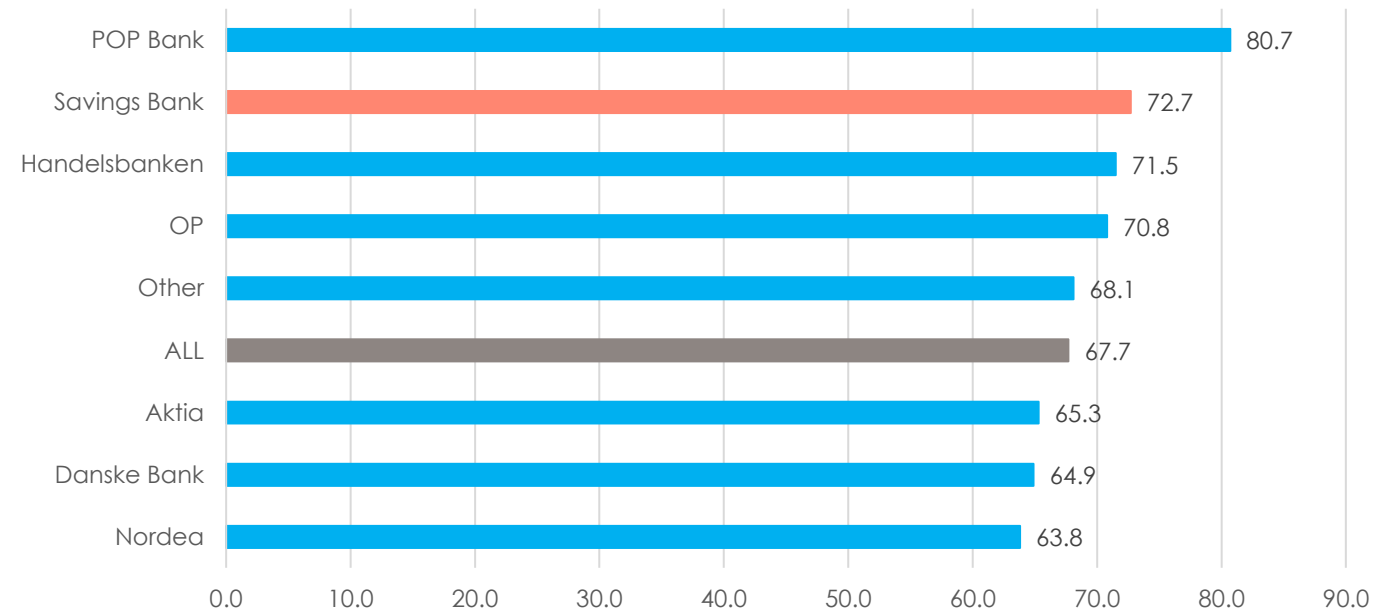
NPS (B2B)

## NPS 84.2

customer meetings  
in Saving Banks  
in 1-12/2021

EPSI Rating 2021

Customer Satisfaction 2021 (B2B)





# Financials

Savings Banks Group 31.12.2021

# Savings Banks Group income statement

Income statement (1000 eur)	1-12/2021	1-12/2020	Change %	Budged 1-12/2021	Change % (Act vs. Budged)	BUD 2022
<b>Net interest income</b>	<b>166 039</b>	<b>160 967</b>	<b>3,2 %</b>	<b>164 394</b>	<b>1,0 %</b>	<b>167 085</b>
Net fee and commission income	114 882	99 742	15,2 %	104 283	10,2 %	122 303
Net investment income	17 223	19 569	-12,0 %	9 731	77,0 %	6 137
Net income from life insurance	18 511	18 335	1,0 %	15 000	23,4 %	16 814
Other operating income	10 912	7 974	36,8 %	6 361	71,6 %	8 882
<b>Total operating income</b>	<b>327 566</b>	<b>306 588</b>	<b>6,8 %</b>	<b>299 769</b>	<b>9,3 %</b>	<b>321 221</b>
Staff costs	-98 750	-89 510	10,3 %	-96 692	2,1 %	-101 533
IT costs	-54 048	-48 661	11,1 %	-49 688	8,8 %	-54 585
Other administrative costs	-36 553	-35 371	3,3 %	-37 354	-2,1 %	-37 247
Depreciation and amortisation of tangible and intangible assets	-18 340	-20 601	-11,0 %	-16 323	12,4 %	-15 880
Other operating expenses	-28 526	-26 014	9,7 %	-26 986	5,7 %	-28 545
<b>Total operating expenses</b>	<b>-236 218</b>	<b>-220 157</b>	<b>7,3 %</b>	<b>-227 043</b>	<b>4,0 %</b>	<b>-237 790</b>
Impairment losses on financial assets	-1 297	-19 760	-93,4 %	-12 833	-89,9 %	-8 141
Share of results of associated companies	-198	70	nm.	0	nm.	0
<b>Profit before tax</b>	<b>89 854</b>	<b>66 740</b>	<b>34,6 %</b>	<b>59 893</b>	<b>50,0 %</b>	<b>75 290</b>
Income tax expense	-17 091	-14 648	16,7 %	-11 979	42,7 %	-15 058
<b>Profit</b>	<b>72 762</b>	<b>52 092</b>	<b>39,7 %</b>	<b>47 914</b>	<b>51,9 %</b>	<b>60 232</b>

# The Savings Banks Group's key figures

	FY2021	FY2020	FY2019	FY2018	FY 2017	FY 2016
Profit before tax	EUR 89,9m	EUR 66.7m	EUR 94.8m	EUR 36.4m	EUR 88.2m	EUR 69.6m
Net interest income	EUR 166,0m	EUR 161.0m	EUR 155.6m	EUR 152.7m	EUR 142.2m	EUR 131.7m
Cost-to-income	72.1%	71.8%	68.2%	84.3%	64.7%	64.4%
Capital adequacy	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	8.9%	8.7%	9.1 %	8.6%	8.8%	9.1%
Loans and advances	EUR 9.6bn	EUR 9.3bn	EUR 8.9bn	EUR 8.6bn	EUR 7.8bn	EUR 7.0bn
Total assets	EUR 13.1bn	EUR 13.1bn	EUR 12.0bn	EUR 11.7bn	EUR 11.3bn	EUR 10.4bn
Personnel	1,419	1,418	1,391	1,386	1,343	1,270

# The Savings Banks Group's key figures

(EUR 1,000)	1-12/2021	1-12/2020	1-12/2019	1-12/2018	1-12/2017	1-12/2016
Revenue	356 156	337 938	362 701	278 517	331 366	304 340
Net interest income	166 039	160 967	155 619	152 704	142 176	131 693
% of revenue	46,6 %	47,6 %	42,9 %	54,8 %	42,9 %	43,3 %
Profit before taxes	89 854	66 740	94 807	36 408	88 210	69 603
% of revenue	25,2 %	19,7 %	26,1 %	13,1 %	26,6 %	22,9 %
Total operating revenue	327 566	306 588	321 395	234 670	282 191	245 376
Total operating expenses (excluding depreciations)	-236 218	-220 157	-219 145	-197 718	-182 693	-158 060
Cost to income ratio	72,1 %	71,8 %	68,2 %	84,3 %	64,7 %	64,4 %
Total assets	13 079 096	13 097 063	12 009 105	11 705 740	11 326 105	10 423 646
Total equity	1 190 293	1 155 709	1 118 391	1 028 796	1 017 520	953 402
Return on equity %	6,2 %	4,6 %	6,9 %	3,0 %	7,3 %	6,2 %
Return on assets %	0,6 %	0,4 %	0,6 %	0,3 %	0,7 %	0,6 %
Equity/assets ratio %	9,1 %	8,8 %	9,3 %	9,2 %	9,0 %	9,1 %
Solvency ratio %	19,5 %	19,1 %	19,1 %	18,2 %	19,1 %	19,5 %
Impairment losses on loans and other receivables	-1 297	-19 760	-8 379	-3 868	-13 266	-8 411

# The Savings Banks Group income statement

(EUR 1,000)

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

# 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 December 2021.
- CET1 ratio was 19.5% and total capital ratio 19.5%.
- The capital base is predominantly consisting of Common equity Tier 1. Total own funds amounted to EUR 1 098 million and CET1 capital accounted for EUR 1 097 million.
- The current capital requirement for the Amalgamation is 11,76% consisting of:
  - Statutory minimum capital adequacy requirement of 8%
  - 1.25% 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.
- In April 2021, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation. MREL requirement applied to the Savings Banks Amalgamation is 19.49% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher. The requirement will entered into force in full as of 1 January 2022.
- Capital adequacy will be kept at strong levels also going forward.

EUR Million	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Common equity Tier 1 before regulatory adjustments	1 137	1 113	1 065	987
Total regulatory adjustments to CET1 capital	-41	-44	-36	-39
<b>Common Equity Tier 1 capital (CET1)</b>	<b>1 097</b>	<b>1 070</b>	<b>1 029</b>	<b>948</b>
Additional tier 1 capital (AT1)	0	0	0	0
<b>Tier 1 capital (T1=CT1+AT1)</b>	<b>1 097</b>	<b>1 070</b>	<b>1 029</b>	<b>948</b>
Tier 2 before regulatory adjustments	2	6	15	30
Total regulatory adjustments to Tier 2 capital	0	0	0	0
<b>Tier 2 (T2)</b>	<b>2</b>	<b>6</b>	<b>15</b>	<b>30</b>
<b>Total capital (TC=T1+T2)</b>	<b>1 098</b>	<b>1 076</b>	<b>1 044</b>	<b>978</b>
<b>CET1 ratio, %</b>	<b>19,49 %</b>	<b>18,97 %</b>	<b>18,78 %</b>	<b>17,61 %</b>
<b>TIER1 ratio, %</b>	<b>19,49 %</b>	<b>18,97 %</b>	<b>18,78 %</b>	<b>17,61 %</b>
<b>Total capital ratio, %</b>	<b>19,52 %</b>	<b>19,08 %</b>	<b>19,06 %</b>	<b>18,16 %</b>
<b>Leverage ratio</b>	<b>8,9 %</b>	<b>8,7 %</b>	<b>9,1 %</b>	<b>8,6 %</b>

# 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 Dec 2021).
- 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)	31.12.2021	31.12.2020	31.12.2019	31.12.2018
<b>Total capital base</b>	<b>1 098,3</b>	<b>1 075,7</b>	<b>1 044,0</b>	<b>978,0</b>
Capital requirement for credit and counterparty risk	397,9	398,4	387,6	385,3
Capital requirement for credit valuation adjustment (CVA)	6,7	8,9	8,1	5,8
Capital requirement for market risk	0,0	2,4	2,3	3,1
Capital requirement for operational risk	45,5	41,4	40,0	36,7
<b>Total capital requirement (8%)</b>	<b>450,1</b>	<b>451,1</b>	<b>438,1</b>	<b>430,8</b>



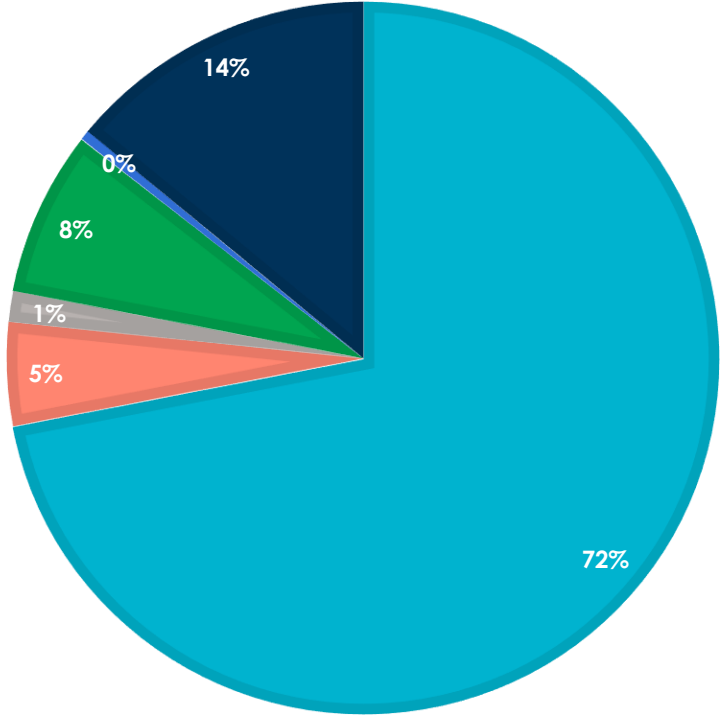
# Funding and Liquidity

Structure

# Funding Structure 2021 - 2024

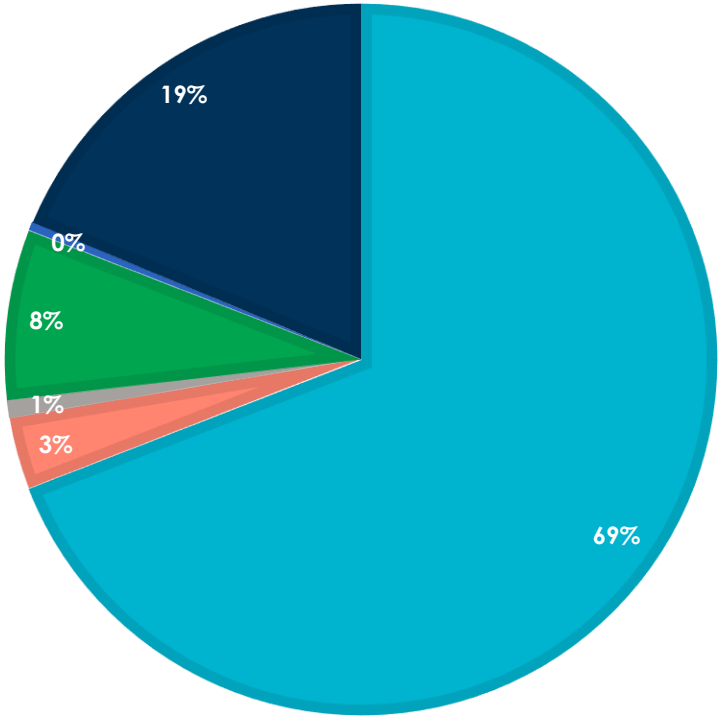
2021

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

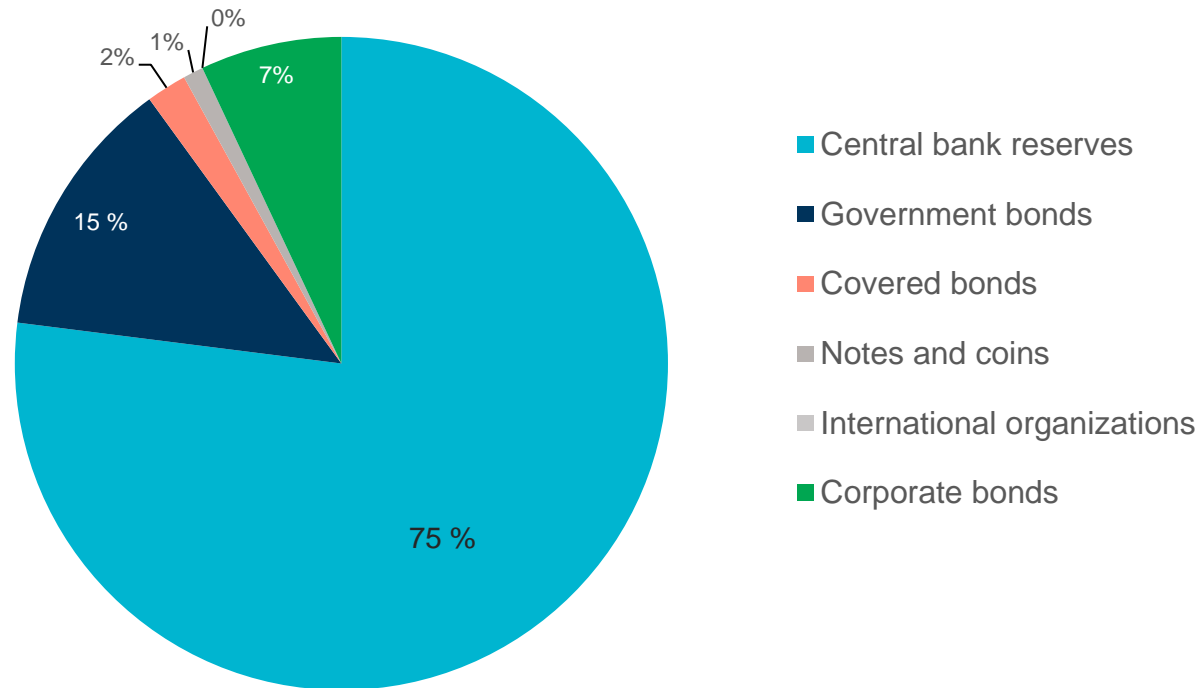


2024

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



# Liquidity Buffer 31.12.2021



- The Group LCR was 161.0 % as per 31.12.2021
- The Group NSFR was 127.2 % as per 31.12.2021
- The Group is MREL compliant. The requirement is either 19.49% of TREA or 5.91% of LREA
- No subordination requirement for covering MREL

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



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

Read more about ECBC Covered Bond Label at [www.coveredbondlabel.com](http://www.coveredbondlabel.com)



# Cover pool characteristics as of 31 December 2021

Pool size	EUR 2,198.3 million
Collateral	100% Finnish prime mortgages
Geographical distribution	Throughout Finland, a majority in growth centers and their close proximity
Average loan size	EUR 84,100
Number of loans	26,700
Average LTV (indexed/unindexed)	53.3% / 55.9%
Average seasoning	43.8 months
Non-performing loans / loans in arrears	0 bp / 16 bps
Interest base	90.4% variable, 9.6% fixed
Over-collateralisation	46.6%

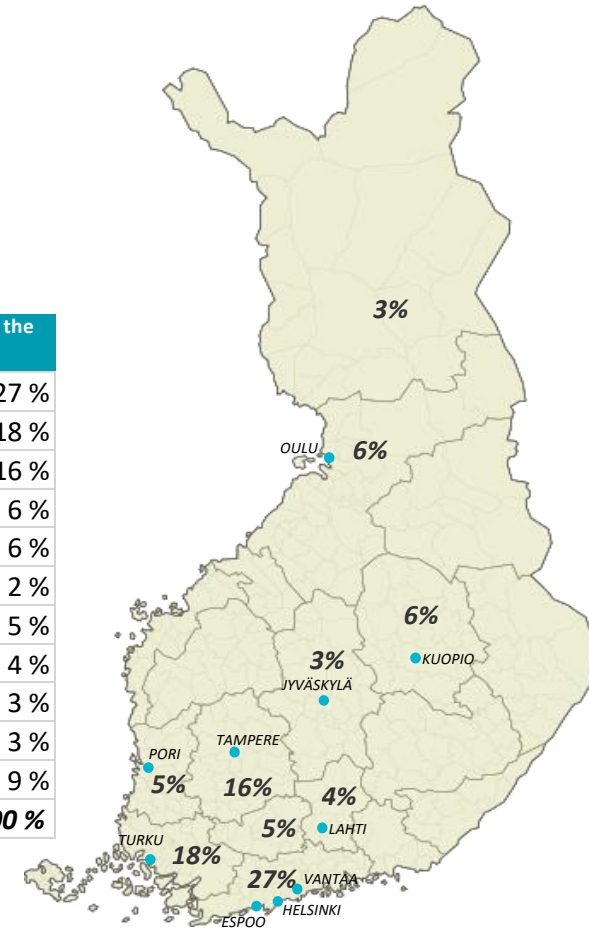
# Geographically well diversified cover pool

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

Regional distribution of cover pool and Finland's 10 largest cities<sup>(2)</sup>

Regional distribution of cover pool as of 31 December 2021

Region	Major City	Region's Population(1)	Mortgages, EUR mn	Share of the pool
Uusimaa	Helsinki	1,702,678	583	27 %
Varsinais-Suomi	Turku	481,403	405	18 %
Pirkanmaa	Tampere	522,852	361	16 %
Pohjois-Savo	Kuopio	248,265	142	6 %
Pohjois-Pohjanmaa	Oulu	413,830	132	6 %
Satakunta	Pori	215,416	52	2 %
Kanta-Häme	Hämeenlinna	170,577	115	5 %
Päijät-Häme	Lahti	205,771	77	4 %
Keski-Suomi	Jyväskylä	272,617	75	3 %
Lappi	Rovaniemi	176,665	66	3 %
Rest of Finland	-	1,123,719	192	9 %
	<b>TOTAL</b>	<b>5,533,793</b>	<b>2,198</b>	<b>100 %</b>

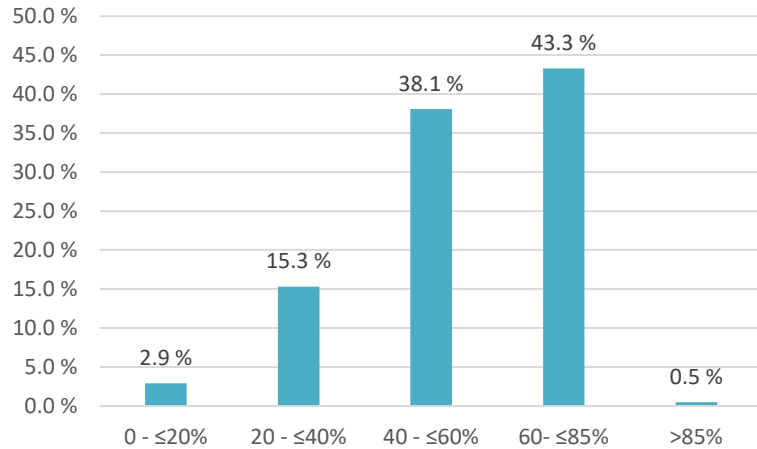


Sources: (1) Statistics Finland: Finnish Regional Population 31.12.2020  
 (2) The Association of Finnish Local and Regional Authorities: City population 31.12.2020

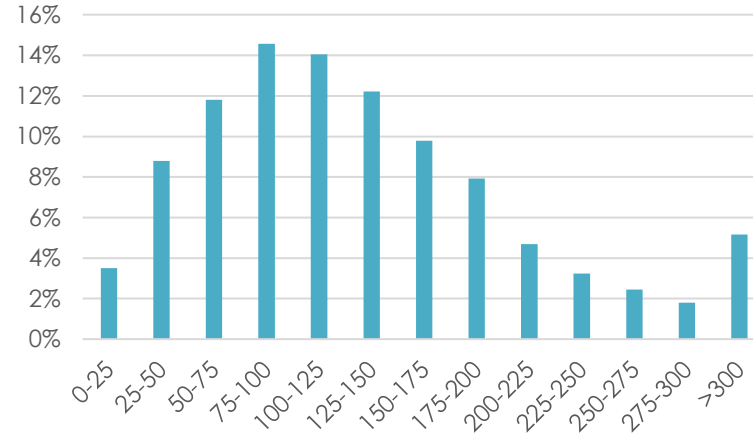


# Breakdown of cover pool as of 31 December 2021

## LTV distribution

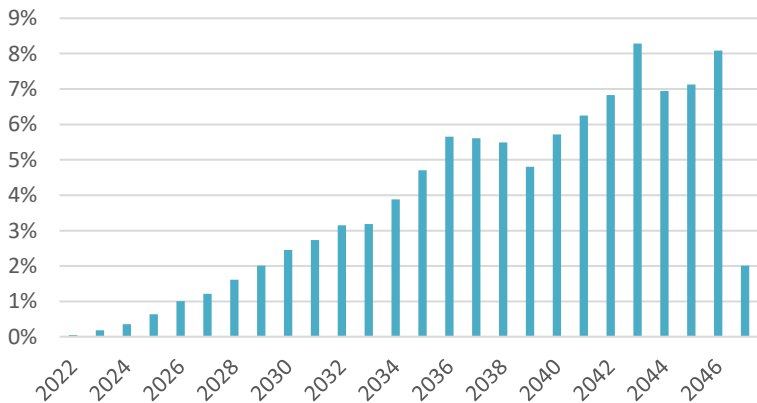


## Loan distribution by size

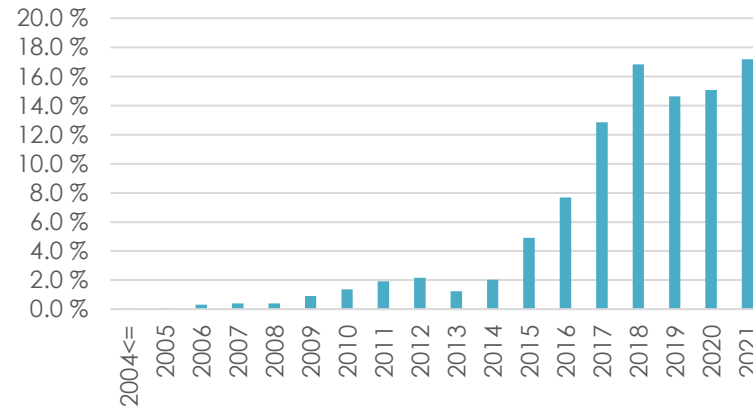


Loan balance, EUR thousand

## Loan maturity profile



## Loan balance by origination year



# Underwriting criteria

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

# 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:

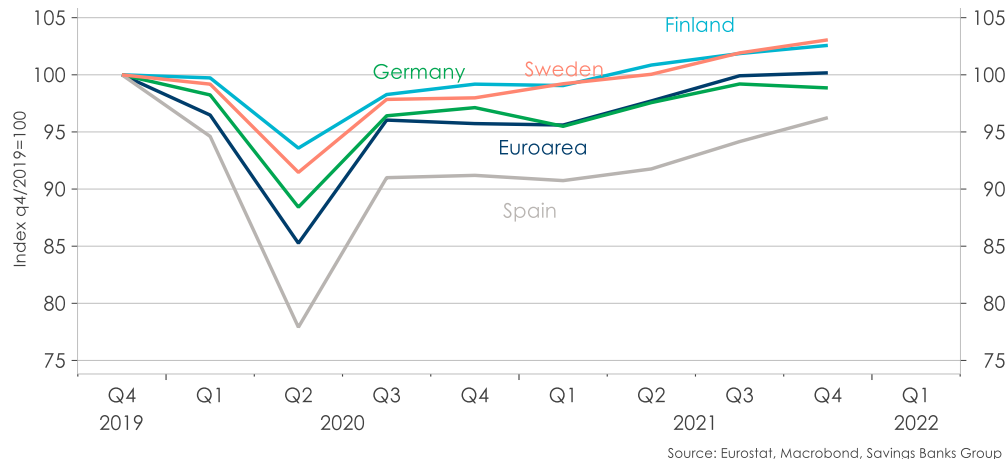
- Servicing the Mortgage Loans together with the Back Office company
- Collection / foreclosure processes as any non-performing Mortgage Loan is transferred back to the originating Savings Bank

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.

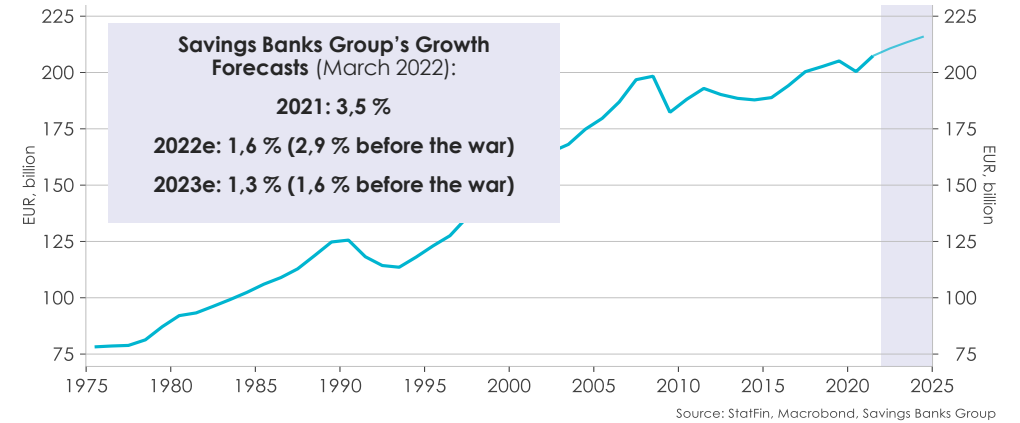
# Finnish Economy and Housing Market

# Finnish Economy

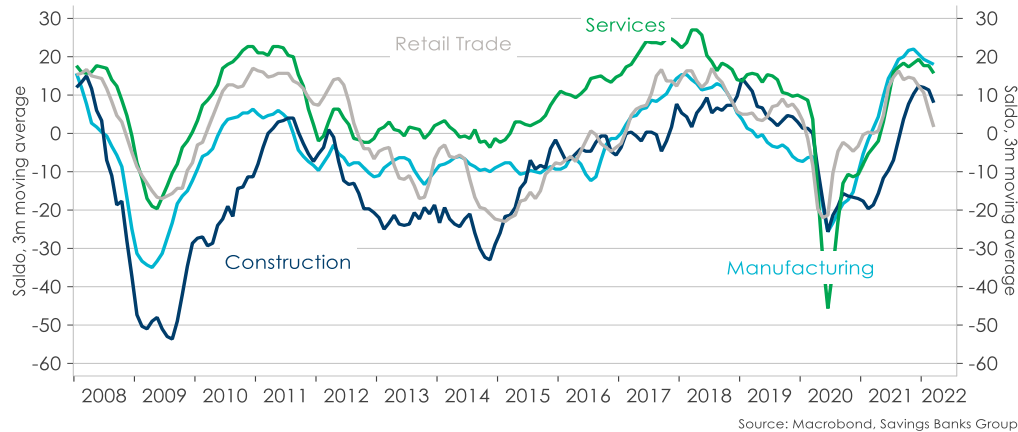
The Finnish economy performed well during the covid-crisis



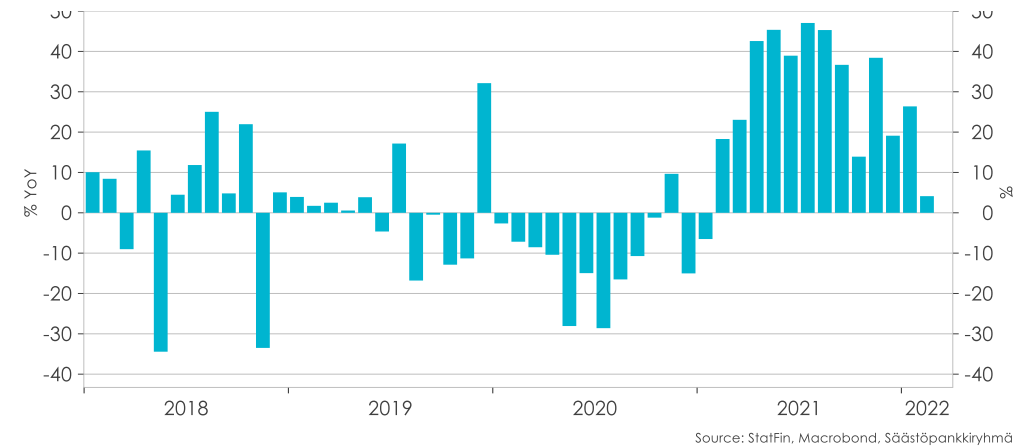
The War in Ukraine is expected to cut off ~1,3 % points of the GDP growth in 2022



Business confidence declined mildly after the start of the war

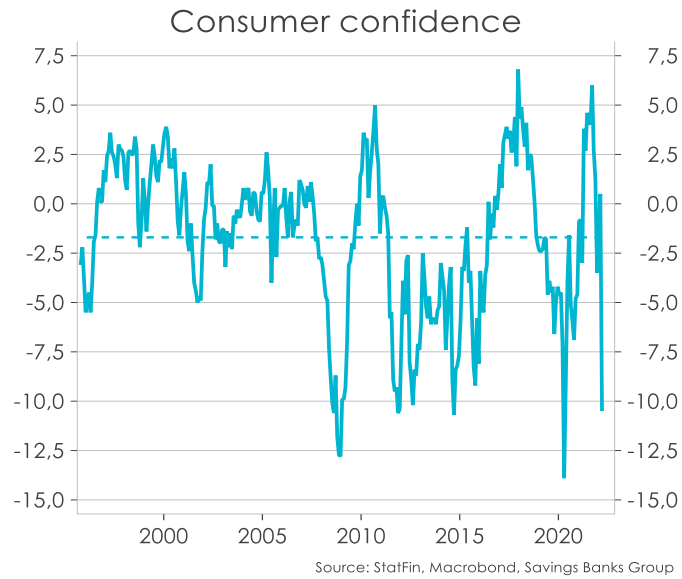


Manufacturing order book still high, but some signs of weakness

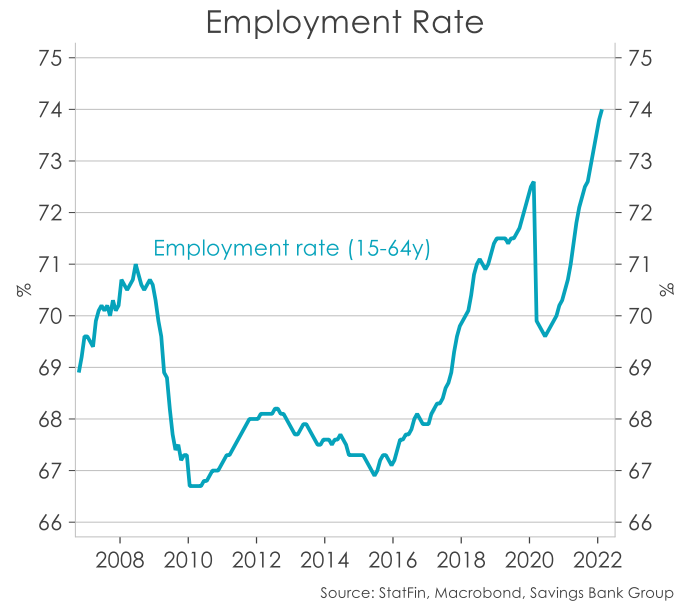


# Finnish Economy

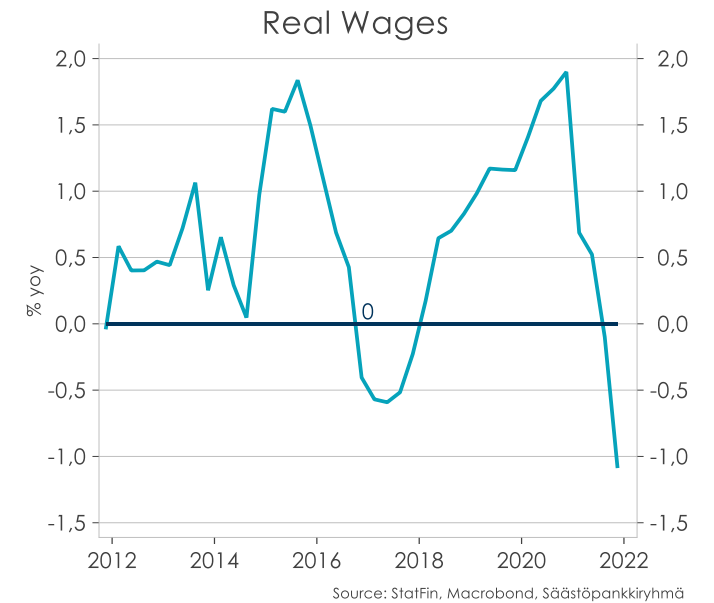
## Consumer confidence collapsed in March



## The Employment rate record high

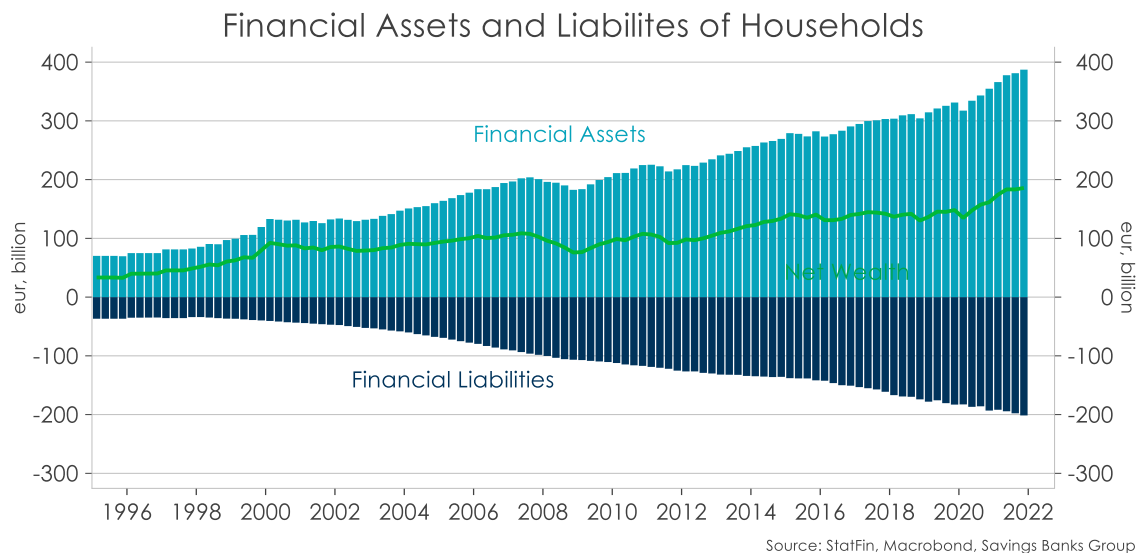


## Real Wages expected to decline due to high inflation

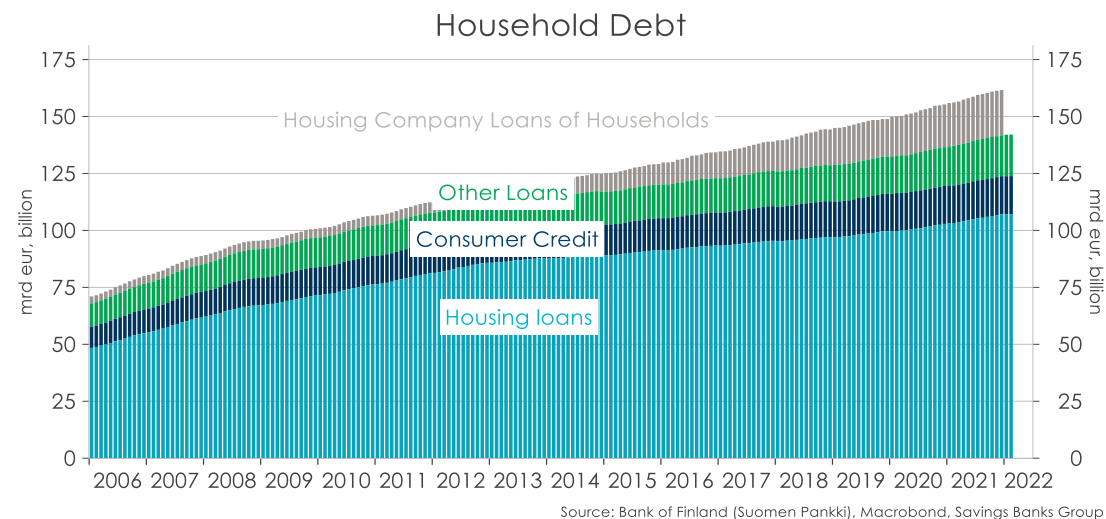


# Finnish Economy

## Household's financial assets are growing faster than liabilities

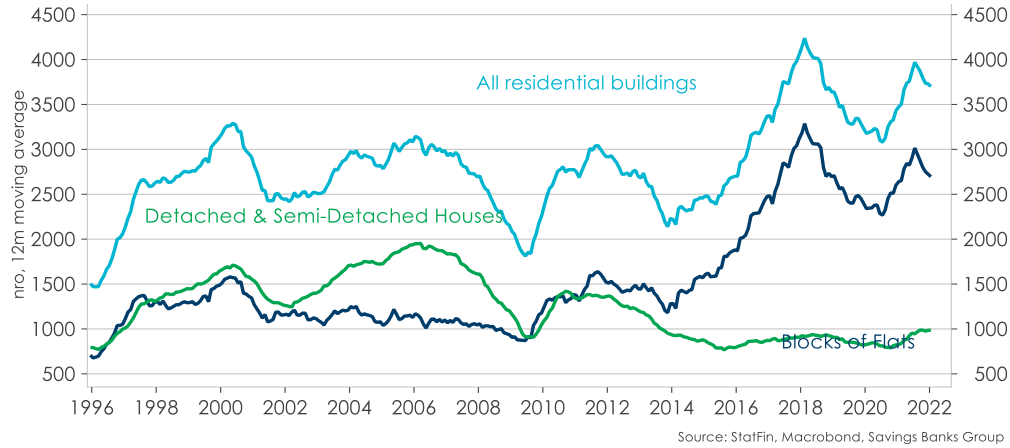


## Household's indebtedness has also increased

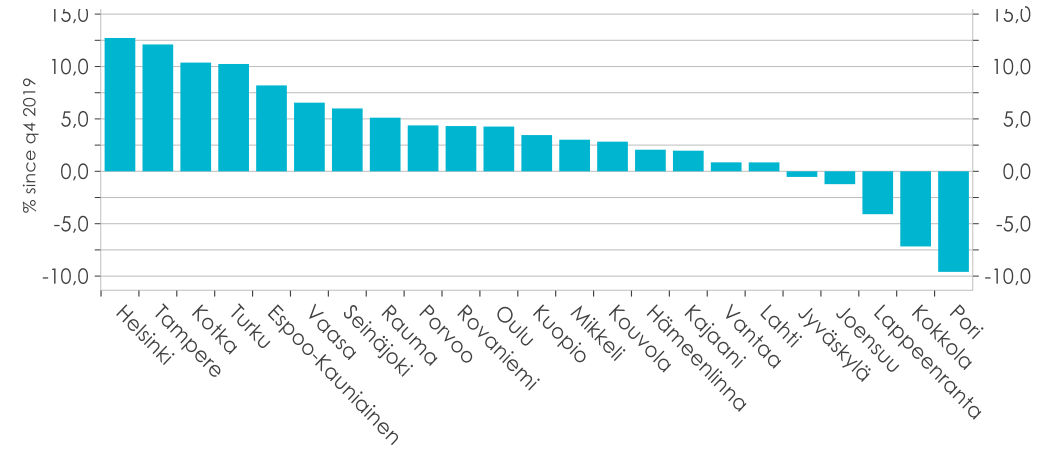


# Finnish Economy

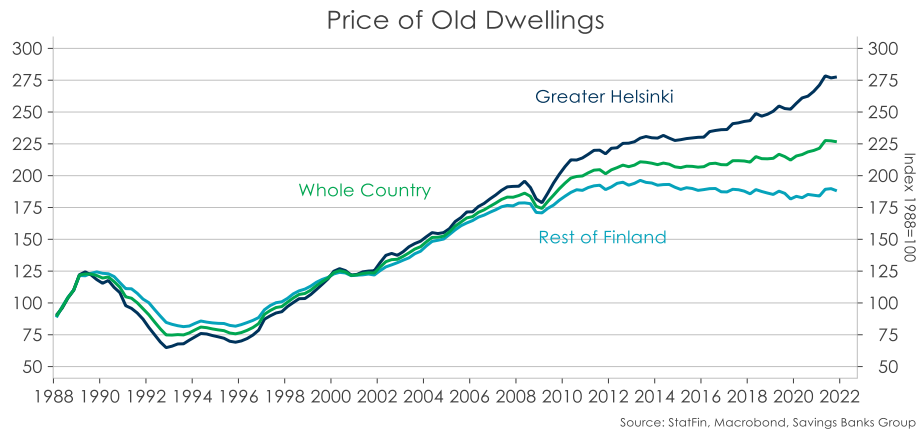
Construction will decline moderately in 2022



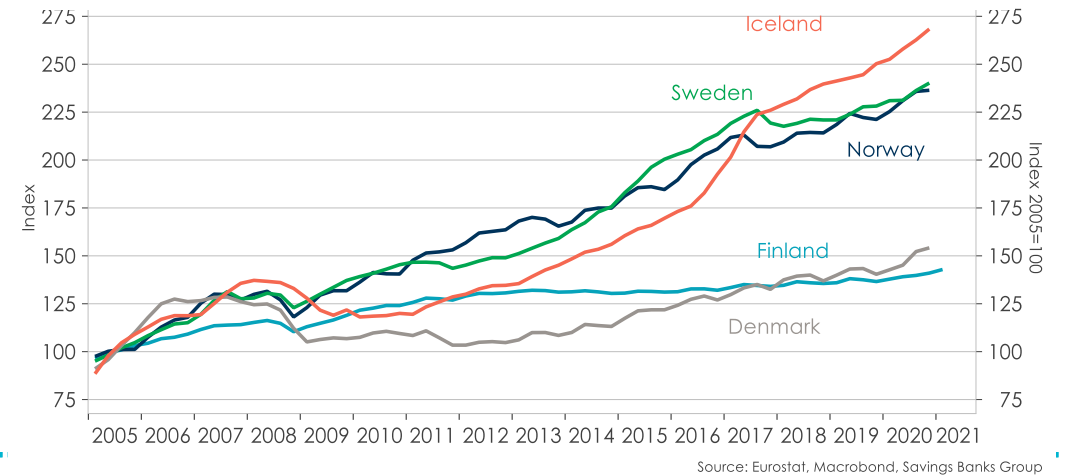
During the pandemic house prices have increased even in smaller cities



Long-term trend: House prices are fragmented in Finland



The housing "boom" has been modest in Finland





# Appendix



Savings Bank

# Act on Mortgage Credit Bank Operations 1/2

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

# Act on Mortgage Credit Bank Operations 2/2

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

# 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 18 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.**

# Contact details

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Read more at [www.saastopankki.fi/debtinvestors](http://www.saastopankki.fi/debtinvestors)

# Thank you!

[www.saastopankki.fi](http://www.saastopankki.fi)



Savings Bank