SAVINGS BANKS GROUP'S

BOARD OF DIRECTORS' REPORT AND CONSOLIDATED IFRS FINANCIAL STATEMENTS

31.12.2023

Savings Bank

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SAVINGS BANKS GROUP'S BOARD OF DIRECTORS' REPORT

1.1. – 31.12.2023

REVIEW BY THE CHIEF EXECUTIVE OFFICER OF THE SAVINGS BANKS' UNION COOP

Karri Alameri
Chief Executive Officer

The year 2023 began in an uncertain economic climate. There were fears that the energy crisis would lead to a recession, particularly in Europe. The sharply increased interest rate level was also expected to dampen economic growth, and indeed it had a substantial impact on the Finnish economy.

According to our Savings Barometer, financial distress experienced by households increased in 2023. However, thanks to inflation levelling off and wage increases being larger than usual, the situation began to ease towards the end of the year, and consumer purchasing power turned to an increase. The number of bankruptcies grew steadily in Finland as the year went on, and the difficult situation in the construction sector and its spill-over effects were apparent in the second half of the year.

The customer business of the Savings Banks Group developed favourably, and profit performance was excellent. Our profit before tax increased to EUR 135.5 million, driven by the rise the general interest rate level and our good cost control. While the demand for mortgages declined, we strengthened our market position and our loan portfolio grew by 5.7% to EUR 9.5 million. In spite of uncertainty in the investment markets, the net subscriptions of our investment funds were EUR 274 million in the positive, and our market share increased for the fifth consecutive year. In spite of the weakened operational environment, our credit losses remained at a low level among both corporate customers and households. Our capital adequacy (CET1) improved during the year and was 19.5%. The Savings Banks Group will continue to be a financially stable, trustworthy and professional partner for its customers.

On 20 October 2023, 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 is stable.

The customer satisfaction and customer experience of the Savings Banks' private customers improved further in 2023. In EPSI Rating's banking and finance 2023 customer survey, the customer satisfaction of Savings Bank exceeded the industry average by a clear margin in all of the categories.

The survey indicated that the Savings Bank has the best understanding of the needs of private customers in the banking sector. The Savings Banks' Net Promoter Score (NPS) for customer meetings rose to an excellent level in 2023, with the average for the year being as high as 84.7. In December, the customer service of Savings Banks won first place in the Customer Service of the Year 2023 competition.

In autumn 2023, we started a significant business development project that is a concrete step towards the realisation of the Savings Banks Group's digital vision. The project will enable the seamless integration of in-person and digital services, which will be reflected in an increasingly smooth and convenient service experience for both customers and employees. We also launched the first part of the financial wellbeing features to be incorporated into our mobile service to make it easier for our customers to manage their finances.

We also complemented our range of services by launching a new set of Savings Bank Corporate Bank services aimed at SMEs that have grown slightly larger than micro-enterprises. Midway through the year, we enhanced our service offering for corporate customers by launching the Kassavahti deposit funding solution.

Our good customer feedback, improved market position and strong result in 2023 were attributable to our close and long-term cooperation with our customers and our operating environment. This would not have been possible without our highly competent and motivated personnel, and management with a strong commitment to the savings bank ideology throughout the entities that make up the Savings Banks Group. Thank you for your contribution to our shared success now and in the future.

We continued to put the key themes of our sustainability strategy into action in 2023. In the annual Customer Index survey of the Data & Marketing Association of Finland (ASML), the Savings Banks Group was selected as Finland's most sustainable bank and the third-most sustainable company in the study as a whole. We were also ranked in the top three in the financial services industry in the Sustainable Brand Index survey and the private customer category of the EPSI Rating sustainability index. Our sustainability efforts to promote local wellbeing and vitality were reflected in the annual Good Deeds campaign, among other initiatives. In 2023, local Savings Banks and savings bank trusts donated over EUR 2 million to support the wellbeing of children and young people.

The new year has again begun in a climate of uncertainty. In Finland, household purchasing power is increasing and the economic recession is expected to be short-lived. At the same time, high geopolitical tensions create continued uncertainty with regard to the development of energy prices, for example. In the economic outlook, the most significant risk is still inflation and central banks' ability to take action to ensure price stability. If inflation remains moderate, the conditions are in place for a recovery of economic growth in 2024.

Karri Alameri
Chief Executive Officer

THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

The Savings Banks Group is the most long-standing banking group in Finland. It comprises the Savings Banks that form 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 companies of the Savings Banks Amalgamation form a financial institution as defined in the Act on the Amalgamation of Deposit Banks, in which Savings Banks' Union coop and its member credit institutions are ultimately jointly and severally liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop which acts as the central institution of the Amalgamation, 14 Savings Banks, 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 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.

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. According to the accounting principles confirmed by Savings Banks' Union Coop, Lieto Savings Bank's result for 2023 is included in the Savings Banks Group's result until the date of the demerger. 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/en/savingsbanksgroup.

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

THE GLOBAL ECONOMY

The year 2023 began in a fairly bleak economic climate. There were fears that the energy crisis would lead to a recession, particularly in Europe. It was also expected that the sharply increased interest rates would substantially dampen economic growth.

As it turned out, economies were more resilient than expected in the face of these pressures, and global economic growth slowed less than anticipated. The overall growth of the global economy for the year is likely to be just over 3%, which is under the long-term average. While the energy crisis weakened economic growth in Europe in particular, businesses and households adapted to the circumstances surprisingly well. The rise in interest rates has dampened economic growth, but major problems have been avoided.

There were significant regional differences in economic growth in 2023. Europe was again the weak link and the German economy suffered from the energy crisis in particular. Economic growth in the eurozone as a whole is expected to have been only slightly above zero in 2023, and the eurozone economy likely entered into a recession in the latter part of the year.

The Chinese economy saw brisk growth in early 2023 when COVID-19 lockdowns were finally discontinued. However, the recovery was rather short-lived, and the Chinese central government introduced various stimulus measures late in the year to boost the economy. The growth target of 5% is likely to be achieved for 2023. The real estate sector continues to be a problem in the Chinese economy.

Economic growth in the United States remained surprisingly strong in spite of the higher interest rates. The US economy is expected to have grown by more than 2% in 2023. Household consumption, in particular, has held up in the United States.

Perhaps the most positive economic news in 2023 concerned inflation, which finally began to become more moderate as the year went on. In the eurozone, for example, inflation was above 8% at the start of the year. By November, it had fallen to 2.4%.

The slowing of inflation also enabled central banks to stop interest rate hikes towards the end of the year. In 2024, interest rates are expected to decrease both in the United States and Europe. This will bring relief especially to the Finnish economy, which is highly sensitive to interest rates.

There were negative surprises during the year in the economy as well as in geopolitics. In the spring, a small number of banks in the United States and Europe experienced difficulties. Fortunately, the situation did not escalate into a broader banking crisis. In the autumn, fighting broke out in the Middle East, but the impacts on oil prices, for example, were fairly minimal. While the war in Ukraine continues, its effects on the global economy are minor. However, an escalation of the situation is always possible, which means that political risks remain elevated.

THE INTEREST RATE ENVIRONMENT

In the first half of 2023, short-term interest rates in the eurozone continued to rise, driven by the European Central Bank strongly signaling future interest rate hikes to curb inflation. The 12-month Euribor, which is used as the general reference rate for mortgages, rose by almost one percentage point by mid-year compared to the start of the year. The situation has since stabilised and, from October onwards, short-term interest rates have been on a downward trend. Long-term interest rates also trended downward in the latter part of the year. The reasons include inflation levelling off, weakening economic growth in the eurozone and the likely end of the European Central Bank's interest hike cycle.

On the whole, the development of interest rates in 2023 was strongly supportive of the net interest income of banking operations. However, at the same time, the cost of wholesale funding has increased in both covered bonds and senior loans, which has contributed to hindering the positive development of net interest income.The future development of interest rates will be largely determined by the timing of the European Central Bank's potential interest rate cuts and what the ECB will communicate to the market regarding its future interest rate policy. The relatively steep downward curve of long-term interest rates indicates a decrease of approximately 1.5 percentage points in 2024. If the markets have anticipated too rapid a change, there may be at least a temporary rise in the level of the interest rate curve in 2024.

INVESTMENT MARKETS

In 2023, the attention of the investment markets was focused on the sharp rise in interest rates, which then levelled off in the fourth quarter. The uncertainty in the financial sector in spring 2023 and the challenges faced by the banking sector did not lead to a widespread crisis in the investment markets. Central banks reacted decisively to the situation and, as a result, investor confidence recovered very quickly. Inflation began to show signs of slowing towards the end of the year, which meant that the central banks' rate hike cycle reached a turning point. This was favourably received in the investments markets, with returns rising sharply for both fixed income investments and equities in the fourth quarter. On the whole, 2023 was a much better year for investments than what was anticipated in the early part of the year. As in the previous year, geopolitical risks continued to make headlines. It can be expected that politics and the US presidential election will again have a significant impact on the markets in 2024.

THE FINNISH ECONOMY

The Finnish economy outperformed expectations in early 2023, and the feared recession did not materialise. However, in the second half of the year, economic growth weakened substantially and, according to our assessment, the economy entered a recession.

The increased interest rates have had a particularly significant impact on the Finnish economy. Most loans in Finland are linked to variable interest rates, which means that higher interest rates are reflected in the Finnish economy faster than in many other countries. The increase in interest rates has led to weakness in private consumption and investment, particularly in terms of investments in construction.

For a long time now, households have suffered simultaneously from rising interest rates and high inflation. Household purchasing power declined by a record amount between 2022 and 2023. According to our Savings Barometer, financial distress experienced by households increased in 2023. Consumer confidence also remained well below the long-term average in 2023.

Towards the end of the year, however, the situation began to ease and consumer purchasing power started to rise again. This was due to both the slowing of inflation and the higher-than-usual increases in wages. The employment situation remained fairly good in spite of weakening slightly during the year.

For businesses, 2023 was more difficult than the previous year, and business confidence declined throughout the year. There were large differences between industries. The construction sector was particularly hard hit by the rising interest rates, and construction activity has declined to a significant degree. While industrial production held up, the future outlook deteriorated as the year went on. This was due to the global economic outlook in particular. The service sector still performed fairly well, but the future outlook took a negative turn in that sector as well. The number of bankruptcies rose above the long-term average.

THE HOUSING MARKET IN FINLAND

The housing market slump that began in October 2022 continued in 2023. The main reasons were the rise in interest rates and the low level of consumer confidence. The total housing transaction volume decreased by approximately 27%. The decrease was roughly 24% for old dwellings and approximately 65% for new dwellings. The transaction volumes declined the most in large cities, particularly in the Helsinki metropolitan area.

Transaction volumes increased in November–December, exceeding the figures seen in the corresponding months in 2022. The slight recovery in the housing transaction volume was attributable to the ECB's decision to not raise interest rates for the time being, as well as the transfer tax change that entered into force retroactively on 12 October. The decision scrapped the tax exemption for first-time home buyers effective from 1 January 2024. This led to a substantial increase in transactions by first-time home buyers in the latter part of the year.

The annual change in the prices of old apartments was approximately -4% in the Helsinki metropolitan area and approximately +0.2% in other major cities.

In 2024, we expect the transaction volume for old dwellings to rise by 15% and the prices of old dwellings to increase by 2% at the annual level.

THE SAVINGS BANKS GROUP'S PROFIT AND BALANCE SHEET

THE SAVINGS BANKS GROUP'S FINANCIAL HIGHLIGHTS

(EUR 1,000)	1–12/2023	1–12/2022	1–12/2021*	1–12/2020*	1–12/2019*
Revenue	644,769	386,394	325,979	337,938	362,701
Net interest income	263,761	169,610	152,324	160,967	155,619
% of revenue	40.9%	43.9%	46.7%	47.6%	42.9%
Profit before taxes	135,529	70,903	77,555	66,740	94,807
% of revenue	21.0%	18.3%	23.8%	19.7%	26.1%
Total operating revenue	377,995	305,154	298,715	306,588	321,395
Total operating expenses (excluding depreciations)	-232,492	-218,385	-220,021	-220,157	-219,145
Cost to income ratio	61.5%	71.6%	73.7%	71.8%	68.2%
Impairment losses on loans and other receivables	-9,988	-15,882	-941	-19,760	-8,379
Financial highlights, continuing operations and exit from Savings banks group total:					
Total assets	13,206,415	13,780,287	13,079,096	13,097,063	12,009,105
Total equity	1,137,950	1,178,847	1,190,293	1,155,709	1,118,391
Return on equity %	9.1%	4.7%	6.2%	4.6%	6.9%
Return on assets %	0.8%	0.4%	0.6%	0.4%	0.6%
Equity/assets ratio %	8.6%	8.6%	9.1%	8.8%	9.3%
Solvency ratio %	19.5%	18.7%	19.5%	19.1%	19.1%

* The figures for the financial year have not been adjusted to reflect the distribution of continuing operations and exit from the Savings Bank Group.

PROFIT TRENDS, OPERATING ACTIVITIES (COMPARISON FIGURES 1–12/2022)

The Savings Banks Group's financial performance in 2023 was very good. The Savings Banks Group's profit before tax was EUR 135.5 (70.9) million. Profit for the period increased by EUR 64.6 million year-on-year. Higher interest rates significantly increased net interest income. Lieto Savings Bank relinquished its membership of the Savings Banks Group on 28 February 2023. The profit for the review period and comparison period do not include Lieto Savings Bank.

The Savings Banks Group has applied IFRS 17 Insurance Contracts starting from 1 January 2023. The figures for the comparison period adjusted to align with the new reporting standard include significant negative changes in market value, which are presented through profit and loss in net investment income and finance income and expenses of the insurance contracts. The adoption of IFRS 17 and the changes to profit and balance sheet formulas are discussed in more detail in the financial statements in note 2 Basis of preparation, section 2.7 Adoption of new standards and interpretations. The new standards and interpretations are explained in more detail about the introduction of the IFRS 17 standard and the changes to the profit and loss account and balance sheet.

The Savings Banks Group's net interest income was increased by the significant rise in market interest rates. Net interest income increased by 55.5% and amounted to EUR 263.8 (169.6) million. Interest income increased to EUR 478.7 (204.9) million. Interest income from loans and advances to customers amounted to EUR 376.8 (164.1) million. Interest income from loans and advances to credit institutions amounted to EUR 48.2 (6.3) million. Interest expenses increased to EUR 214.9 (35.3) million. Interest expenses associated with derivatives used in the management of interest rate risk increased to EUR 99.6 (10.8) million. Interest expenses from debt securities issued came to EUR 52.4 (15.2) million. Interest expenses from liabilities to customers were EUR 51.5 (5.9) million.

Net fee and commission income came to EUR 126.4 (128.6) million. Fee and commission income amounted to EUR 178.2 (174.5) million. Fee and commission income from IFRS 9 investment contracts amounted to EUR 59.2 (59.5) million. Payment transaction fees came to EUR 49.2 (47.0) million. Fees received for funds amounted to EUR 37.7 (39.7) million and lending commissions totalled EUR 18.3 (20.7) million. Net fee and commission income was reduced by higher fee expenses. Fee expenses increased to EUR 51.8 (46.0) million.

The application of the overlay approach was discontinued in connection with the adoption of IFRS 17, and the investment income from insurance is recognised in full at fair value through profit and loss. Net investment income amounted to EUR -4.1 (-112.6) million. Net income from financial assets at fair value through profit or loss amounted to EUR -15.9 (-10.4) million, including both fair value gains and losses of shares and participations amounting to EUR 6.3 (-11.3) million and net income from hedge accounting, EUR -22.3 (0.8) million. Investment income from investment activities that is recognized in the fair value through profit and loss and the net income from liabilities was EUR 20.8 (-98.6) thousand. Of the net investment income, net income from financial assets at fair value through other comprehensive income amounted to EUR -6.2 (-1.6) million. Most of the net investment income was unrealised changes in the value of financial assets measured at fair value through profit or loss.

The insurance service result was EUR 3.8 (-1.1) million. Insurance premium revenue increased to EUR 18.8 (18.1) million. Insurance service expenses decreased to EUR 14.2 (17.8) million. Actual claims incurred amounted to EUR 13.4 (13.4) million. In the financial year, the write-off of loss-making contracts reduced insurance service costs for EUR 1.8 million, while in the comparison period, loss-making contracts increased insurance service costs EUR 1.9 million.

Following the adoption of IFRS 17, insurance finance income and expenses are disclosed as a separate item on the income statement. The impacts of changes in economic assumptions, such as interest rates, on the value of insurance contract liability, including the change in the fair value of IFRS 17 unit-linked contract liabilities, are recognised in the income statement item. A change in the fair value of investments covering unit-linked contracts is recognised in net investment income. During the financial year, insurance finance income and expenses amounted to EUR -32.8 (75.6) million.

Other operating revenue came to EUR 21.1 (45.0) million. In the comparison period, other operating revenue was increased by EUR 33.9 million by compensation received for the termination of the core banking system renewal project.

The Savings Banks Group's total operating revenue increased by 23.9% and amounted to EUR 378.0 (305.1) million. Revenue was increased by the year-on-year growth of net interest income.

The Savings Banks Group's operating expenses decreased by 6.5% to EUR 232.5 (218.4) million. Following the adoption of the IFRS 17 standard, part of operating expenses are capitalised in the calculation of insurance contract liabilities. The operating expenses capitalised in the calculation of insurance contract liabilities during the financial year were EUR 13.9 (12.2) million.

Personnel expenses increased by 8.3% and amounted to EUR 94.3 (87.0) million. The number of personnel on 31 December 2023 was 1,350 (1,268).

Other operating expenses increased to EUR 126.8 (110.9) million. Other administrative expenses came to EUR 96.5 (83.9) million. ICT expenses increased to EUR 52.3 (46.0) million. The increase in ICT expenses was attributable to strategic development investments as well as the rising costs of continuing services.

Depreciation, amortisation and impairment on property, plant and equipment and intangible assets decreased to EUR 11.5 (20.5) million. Depreciation, amortisation and impairment for the comparison period was increased by impairment of EUR 7.6 million recognised on intangible assets capitalised on the balance sheet in connection with the core banking system renewal project.

The Group's cost to income ratio was 61.5% (71.6%).

A total of EUR 10.0 (15.9) million was recorded in impairments of financial assets. These impairments had a negative effect on the Savings Banks Group's profit and loss, and they include the change in expected credit losses for loans granted to customers and off-balance sheet commitments and expected credit losses in other financial assets, final credit losses and credit loss recoveries. The change in expected credit losses recognised during the financial year reduced impairment by EUR 3.1 million. Of the change in expected credit losses, EUR 5.9 million concerned credit and other advances, and EUR 2.8 million concerned other financial assets. Net credit losses realised during the financial year totalled EUR 6.9 (5.6) million, and they concerned loans and other advances.

The Savings Banks Group's effective income tax rate was 22.2% (20.8%).

BALANCE SHEET AND FUNDING (COMPARISON FIGURES 31 DECEMBER 2022)

The Savings Banks Group's balance sheet total was EUR 13.2 (13.8) billion at the end of the financial year. The exit of Lieto Savings Bank from the Savings Banks Group on 28 February 2023 reduced the Savings Banks Group's balance sheet total for the financial year. Lieto Savings Bank is presented in assets and liabilities withdrawing from the Savings Banks Group. Another significant change was associated with the adoption of IFRS 17 Insurance Contracts, which affected the presentation method of the balance sheet. Life insurance assets are presented as part of investment assets and other assets. Life insurance liabilities are presented as liabilities related to insurance contracts and financial liabilities at fair value through profit or loss.

Loans and advances to customers amounted to EUR 9.5 (9.0) billion, representing a year-on-year increase of 5.7%. Loans and advances to credit institutions amounted to EUR 179.1 (205.0) million. The Savings Banks Group's investment assets amounted to EUR 895.2 (926.9) billion. Cash and cash equivalents remained at the year-end level, amounting to EUR 1.4 (1.2) billion. Investments covering unit-linked insurance policies amounted to EUR 908.4 (855.4) million.

The Savings Banks Group's liabilities to customers totalled EUR 7.0 (7.0) billion. Liabilities to credit institutions came to EUR 620.9 (450.9) million. Debt securities issued amounted EUR 2.9 (2.8) billion. Insurance-related liabilities remained at the year-end level, amounting to EUR 571.4 (571.3) million. Liabilities for unit-linked contracts came to EUR 420.4 (373.0) million.

The Savings Banks Group's equity amounted to EUR 1.1 (1.2) billion. The share of non-controlling interests of the Group's equity was EUR 1.2 (1.4) million. The change in the fair value recognised in other comprehensive income was EUR 24.5 (-57.0) million during the review period. The Savings Banks Group's return on equity was 9.1% (4.7%).

The quality of the Savings Banks Group's credit portfolio is good and most credit is secured. The Savings Banks Group does not have significant risk concentrations in the sectors that have been particularly hard hit by the COVID-19 pandemic or the war in Ukraine. The expected credit loss allowance on loans and advances on the balance sheet at the end of the financial year amounted to EUR 50.4 (31 December 2022: 44.5) million, or 0.49% (31 December 2022: 0.46%) of loans and advances. The Savings Banks Group's non-performing receivables remained at a moderate level at 2.3% (31 December 2022: 2.1%) of loans and advances.

CAPITAL ADEQUACY AND RISK POSITION

Capital adequacy (comparison figures 31 December 2022)

At the end of December 2023, the Savings Banks Amalgamation had a strong capital structure, consisting almost entirely of CET1 capital. Total own funds were EUR 1,034.4 (1,090.5) million, of which CET1 capital accounted for EUR 1,031.4 (1,090.5) million. The Savings Banks Amalgamation does not have additional Tier 1 capital. Tier 2 (T2) capital amounted to EUR 3.0 (0.03) million, consisting of debentures in the financial year. Risk-weighted assets amounted to EUR 5.302.2 (5,837.3) million, a decrease of 9.2% compared to the end of the previous year. The capital ratio of the Savings Banks Amalgamation was 19.5% (18.7%), and the CET1 capital ratio was 19.5% (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 period, the increased value of investment portfolio items measured through comprehensive income, and the moderate growth of the credit portfolio.

COMBINED CAPITAL REQUIREMENT, %

31.12.2023	Minimum requirement	Pillar 2 (SREP)-requirement	Capital conservation buffer	Countercyclical capital buffer	Combined capital requirement
CET1	4.50	0.84	2.50	0.05	7.89
AT1	1.50	0.28			1.78
T2	2.00	0.38			2.38
Total	8.00	1.50	2.50	0.05	12.05

The capital requirement of the Savings Banks Amalgamation was EUR 638.8 (702.0) million. The composition of the capital requirement is shown in the table above. 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 Pillar II 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 Pillar II capital requirement imposed by the Financial Supervisory Authority on the Savings Banks Amalgamation is 1.5% (1.25%). At least three quarters of the Pillar II capital requirement must be Tier 1 capital, of which at least three quarters must be CET1 capital.

In March 2023, the Financial Supervisory Authority decided to set a systemic risk buffer requirement of 1.0% for the Savings Banks Amalgamation. The decision will enter into effect on 1 April 2024.

In 2023, the Financial Supervisory Authority did not impose a countercyclical capital buffer requirement, which may range from 0 to 2.5% of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

The Financial Supervisory Authority has granted permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual bank level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0% 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 Finnish Financial Supervisory Authority has granted Savings Banks' Union Coop, which acts as the Central Institution of the Savings Banks Amalgamation, permission pursuant to the Act on the Amalgamation of Deposit Banks to decide that its member credit institutions will not be subject to the requirements stipulated by Section 6 of the EU Capital Requirements Regulation (EU 575/2013) and other EU statutes issued on the basis of the Regulation regarding the liquidity of credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim.

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 market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over 2% of the aggregate amount of own funds. The Savings Banks Amalgamation does not have a trading book and the Amalgamation's business does not involve taking commodity risk.

The amendments to the EU's Capital Requirements Regulation (CRR3), which will implement the final Basel III regulation in the EU, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation. The amendments are scheduled to enter into force on 1 January 2025.

CAPITAL ADEQUACY'S MAIN ITEMS

Own Funds (EUR 1,000)	**31.12.2023**	**31.12.2022**
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,089,412	1,138,741
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-55,909	-48,237
Common Equity Tier 1 (CET1) capital	1,031,404	1,090,504
Tier 1 capital (T1 = CET1 + AT1)	1,031,404	1,090,504
Tier 2 (T2) capital before regulatory adjustments	3,015	28
Tier 2 (T2) capital	3,015	28
Total capital (TC = T1 + T2)	1,034,419	1,090,533
Risk weighted assets	5,302,169	5,837,252
of which: credit and counterparty risk	4,642,885	5,237,903
of which: credit valuation adjustment (CVA)	37,250	23,115
of which: market risk		
of which: operational risk	622,034	576,235
Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.5%	18.7%
Tier 1 (as a percentage of total risk exposure amount)	19.5%	18.7%
Total capital (as a percentage of total risk exposure amount)	19.5%	18.7%
Capital requirement		
Total capital	1,034,419	1,090,533
Capital requirement total*	638,827	702,048
of which: Pillar 2 additional capital requirement	79,533	87,559
Capital buffer	395,592	388,485

* 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 1.5% 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 8.3% (8.3%), exceeding the binding 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing its Tier 1 Capital by its total leverage ratio exposure measure. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	31.12.2023	31.12.2022
Tier 1 Capital	1,031,404	1,090,504
Total leverage ratio exposures	12,376,045	13,194,516
Leverage ratio	8.3%	8.3%

RESOLUTION PLAN

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally effective from 1 January 2015 (Act on the Resolution of Credit Institutions and Investment Firms). To implement the Resolution Act, the Financial Stability Authority was established in Finland (Act on the Financial Stability Authority, 1995/2014). In May 2023, the Financial Stability Authority decided to set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement pursuant to the previous decision is valid until 31 December 2023. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

The MREL requirement is by nature a Pillar 2 type minimum requirement that must be met continuously. According to the decision of the Financial Stability Authority, the 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, until 31 December 2023, and effective from 1 January 2024, the MREL requirement is 20.53% of the total risk exposure amount or 7.74% of the total exposures, whichever is higher.

The MREL requirement applied to Sp Mortgage Bank Plc is 14.4% of the total risk exposure amount or 5.1% of the total exposures, whichever is higher, until 31 December 2023, and effective from 1 January 2024, it is 15.72% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher. In addition to the requirement calculated on the basis of overall risk, the institution-specific capital buffer requirement must be met on an ongoing basis.

RISK POSITION

The Savings Banks Group's risk position has remained at a good level. The solvency of the Savings Banks Amalgamation is good, the quality of the credit portfolio has remained at a good level and most of the loans are secured. The war in Ukraine has an indirect effect on the Group's income and risks, mainly due to customers' changed circumstances and the general market situation.

The Savings Banks Group's risk management and internal control are part of the internal control of the Savings Banks Group and the Savings Banks Amalgamation and a central part of the Group's operative activities. It is the responsibility of the Central Institution to guide the operations of the Amalgamation. It provides guidelines for the securing of liquidity and solvency for enterprises belonging to it in terms of risk management, reliable administration, internal control and compliance with uniform financial statement principles in the preparation of the Amalgamation's financial statements.

The Central Institution approves the principles for the Group's internal control framework. Functions that are independent of the 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.

The Savings Banks Amalgamation's risk control function maintains and develops methods for managing risks within the Central Institution. 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 follow-up reporting.

The Savings Banks Amalgamation has prepared risk strategies and risk limits by risk area. The strategies specific to risk areas are complemented by operational guidelines and instructions issued by the Board of Directors of the Central Institution. The strategies specific to risk areas cover risk identification, measurement and assessment as well as the mitigation, monitoring and reporting of risks.

The Board of Directors of the Central Institution is regularly provided with information on various risks and their levels. The Board of Directors also approves authorisations and frameworks for the desired level of risk-taking by specifying the permitted risk thresholds for different types of risks at the amalgamation level.

The most significant risks affecting the operations of the Savings Banks Group are credit risk, liquidity risk, interest rate risk, operational risk, and various business risks.

The Group's risks and risk management are described in more detail in the Savings Banks Group's financial statements, in note 5.

CREDIT RATINGS

On 20 October 2023, 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 is stable.

The Central Bank of Savings Banks Finland Plc is part of the Savings Banks Amalgamation. The role of the Central Bank of Savings Banks Finland is to ensure the liquidity and fund-raising of the Savings Banks Group. The Central Bank 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.

SUPERVISORY BOARD, BOARD OF DIRECTORS AND AUDITORS

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 13 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 Ab). 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.

In 2023, the following persons have been members of the Board of Directors of Savings Banks' Union Coop:

Pirkko Ahonen, chairman (Aito Säästöpankki Oy)
Jari Oivo, deputy chairman (Myrskylän Säästöpankki)
Ulf Sjöblom (Tammisaaren Säästöpankki Oy)
Tuula Heikkinen (independent of Savings Banks)
Eero Laesterä (independent of Savings Banks)
Heikki Paasonen (Säästöpankki Optia)
Hannu Syvänen (Säästöpankki Sinetti)
Simo Leisti (independent of Savings Banks)
Veli-Pekka Mattila (Länsi-Uudenmaan Säästöpankki Oy)

The Board of Directors of Savings Banks' Union Coop has a quorum when more than half of the members are present. The Board of Directors of Savings Banks' Union Coop was elected at the annual general meeting of the Savings Banks' Union Coop cooperative on 16 March 2023.

The Managing Director of the Savings Banks' Union Coop is Karri Alameri.

At the annual general meeting of the Savings Banks' Union Coop cooperative on 16 March 2023, KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor of Savings Banks' Union Coop. The chief auditor designated by the firm is Mikko Kylliäinen, Authorised Public Accountant.

NON-FINANCIAL REPORTING

TFinancial 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 has been to help the hardworking population of Finland to prosper and take better care of its finances. That is what Savings Bank is still doing.

Today, the mission and purpose of the Savings Banks Group is to responsibly promote the financial wellbeing and prosperity of its customers. We help our customers take care of their finances, prepare for a rainy day, save and prosper.

In our customer service, the emphasis is on expertise, convenience and having a human, personal touch in the way we serve all of our customers – in digital services, in our offices and on the phone. We want to provide our customers with the best combination of in-person and digital services, which is evident in the excellent Savings Bank Experience that we are known for.

The Savings Banks Group comprises 14 Savings Banks forming the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution, and the subsidiaries and associated companies owned by the Savings Banks. The business area is Finland, where the Group operates in almost 100 locations. Our business operations are based on low-risk retail banking. In addition, we offer investment, real estate agency and insurance services. Our strategic goal is to grow profitably and sustainably by responding to our customers' needs with a diverse range of services and by increasing the number of long-term customers. Particular growth areas include small-business and entrepreneur customers and Asset Management Services. In our operations, we combine strong customer-drivenness and customer insight with operational efficiency and close cooperation within the Group. The cornerstones of our business are the Savings Banks Group's values – customer-drivenness, cooperation, responsibility and performance.

MANAGING SUSTAINABILITY

Responsibility has been an integral part of our operations and culture for over 200 years. We want to operate in an ethically sustainable manner observing the principles of good corporate governance, openness and the Savings Banks Group's Code of Conduct. The key management practices are described in the Savings Banks Group's principles for reliable management and internal control. 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 Savings Banks Group's principles for reliable management and internal control along with other internal guidelines. The key guidelines and management tools for sustainability are the Savings Banks Group's sustainability strategy roadmap and policy. The personnel's awareness of the key internal guidelines is ensured with regular training. Compliance with the guidelines is monitored with different internal control methods.

Sustainability governance model

The Board of Directors of the Savings Banks' Union Coop has approved the Savings Banks Group's sustainability governance model, which defines the structures and responsibilities for the effective management of the Group's sustainability work. Sustainability-related matters, such as economic, social and environmental responsibility and sustainability risks, are reviewed in accordance with the management model two to three times a year by the Management Group of the Savings Banks' Union Coop and at least two times a year by the Board of Directors of the Savings Banks' Union Coop. The Audit Committee presents sustainability-related matters to the Board of Directors of the Savings Banks' Union Coop for discussion, and the Risk Committee reviews and approves the estimates, targets and limits of ESG (environmental, social, governance) risks and opportunities once per year as part of other risk reviews. In 2023, sustainability was highlighted as one of the Savings Banks Group's spearhead projects, and a steering group was established for the project.

The basic pillars of managing sustainability

The five main themes of the Savings Banks Group's sustainability strategy are responsibility for the customer's financial wellbeing and the wellbeing of the community, sustainable financing and products, sustainable growth and good corporate governance, and responsibility for the environment and the climate.

With regard to the main themes of the strategy, we aim to: Promote a positive Savings Bank experience and secure digitalisation with our financial wellbeing solutions. Increase the share of green assets and sustainable investments. Develop the management culture and employee experience of our work community. Prevent discrimination and harassment. Support local microenterprises and SMEs. Promote responsibility in our partnerships. Grow with capital adequacy and operate ethically. Reduce our ecological footprint and increase our positive environmental impacts in our own operations and value chain. With regard to the environment and the climate, our aim is, if the operating environment allows, to make investments carbon neutral by 2050, and to set environmental, social and governance (ESG) targets that support the climate for funding in 30% of business loans in selected sectors. With regard to residential and commercial real estate loans, the Savings Banks Group aims, if the operating environment allows, to be carbon neutral by 2050 and to be carbon positive in the locations' own operations (scope 1–2) by 2035. Carbon positive means that more carbon dioxide is removed from the atmosphere than is emitted. We will discuss the implementation of the sustainability strategy in more detail as part of our sustainability reporting for 2023.

The main themes of the sustainability strategy are based on the Savings Banks Group's key sustainability themes and sustainability roadmap, which sets out the Group's sustainability actions and their schedule for 2023–2024. The roadmap actions are updated approximately once a year. The Savings Banks Group also has a sustainability policy that defines the scope and basic principles of the Savings Banks Group's sustainability efforts.

Material sustainability themes

The reporting on the Savings Banks Group's material sustainability themes is based on the materiality analysis, the purpose of which is to identify the key sustainability aspects of the Savings Banks Group and its stakeholders. The materiality analysis is based on a survey conducted among the personnel, management and other stakeholders regarding the materiality of impacts, and the Savings Bank Centre's management group's assessment of financial materiality. The Savings Banks Group's three most material sustainability themes from the perspective of stakeholders, identified on the basis of the materiality analysis, are as follows: understanding customer needs and developing expertise as part of financial wellbeing, the customer's data protection, information security and physical security, and sustainability in the principles and practices that guide business operations, including good corporate governance, risk management and the prevention of money laundering and corruption. The aforementioned themes are among the basic prerequisites of banking operations and they constitute the foundation for the Savings Banks Group's sustainability, which must be solid under all circumstances.

Examples of the other material sustainability themes identified in our materiality analysis included responsible and sustainable financing: lending, investing and solutions; wellbeing at work, equality and diversity, good management, company culture and highly competent personnel, promoting the wellbeing, growth and financial literacy of customers, and climate change mitigation and adaptation. The material sustainability themes are discussed in more detail in the Savings Banks Group's Sustainability Report. We reviewed our materiality analysis in 2023 and decided to review it again in 2024.

We have annually monitored the following indicators, for instance, with regard to the most material sustainability themes. To monitor customer satisfaction, we use the Net Promoter Score (NPS) for customer meetings, which was 84.8 (target: 80) in 2023, and the resolution rate by phone, which was for for private customers customer service 82% and for corporate customer service 81% (target 85%). With regard to the principles guiding responsible business conduct, we measure the proportion of regularly monitored compliance training (customer due diligence and the prevention of money laundering and terrorist financing, data protection, information security, and Code of Conduct), which varied depending on the training between 85.0-91.4.% in 2023. With regard to data protection and information security, we monitor the use of our information networks and systems, and any identified deviations are addressed immediately and communicated to the relevant parties in accordance with the applicable laws and regulations. The information security breaches that have occurred thus far have not posed a significant risk to our customers. We have avoided serious data breaches and, for example, phishing attempts against our employees.

We also monitor other indicators in accordance with our sustainability strategy. Examples of these include the capital ratio, which reflects CET1 capital and was 19.5% (target: at least 18.0%). The sum of Savings Bank funds and insurance baskets compliant with the selected UN Sustainable Development Goals at least 25%, which was met for 100% of investment products (target at least 85%) in 33 fund of Saving Bank and 7 insurance baskets managed by the Sp-Fund Management Company , the increase in the percentage of companies committed to the Paris Agreement and science-based targets in customer assets managed by the Sp-Fund Management Company, if the operating environment permits, which was 38.3%, and the carbon footprint of the electricity consumption of offices, which was 12.4% higher than in the previous year due to the cold winter and energy sources during the energy crisis, as the energy intensity of the facilities per surface area nevertheless decreased (target -50% compared to 2021, to be achieved by the end of 2030 at the latest). The adoption of responsible corporate guarantees/loans was one of our performance indicators, and we will continue our efforts in that area in 2024. In addition, a new performance indicator related to the work community, which reflects the employees' willingness to recommend the Savings Banks Group as an employer (eNPS, employee Net Promoter Score), was identified as a new indicator for the sustainability strategy, and plans are in place to incorporate it into the sustainability strategy in early 2024. We also report on the carbon dioxide intensity of the funds, insurance-type investment products and Savings banks own investments managed by the Savings Bank, which is discussed in more detail in the section on environmental responsibility in the Sustainability Report.

The Savings Banks Group's Sustainability Report 2023 is published in Finnish and English. The report illustrates how sustainability is reflected in the day-to-day work and actions of everyone at Savings Banks. The Savings Banks Group published its first GRI report on 20 June 2019. With regard to the reporting principles, the Savings Banks Group applies the GRI (Global Reporting Initiative) Standards guidelines (GRI-Core), taking into account the compliance of the guidelines with the SASB (Sustainability Accounting Standards Board) framework.

PROMOTING SOCIAL WELL-BEING LOCALLY

Savings banks have been an important part of Finnish society for over 200 years now, 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 very beginning, 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 2023 Good Deeds responsibility campaign saw local Savings Banks and savings bank trusts donate over EUR 2 million to hundreds of different charities. The well-being of children and young people was emphasised in the donations. The donations supported children's hobbies through sports clubs, as well as the mental health of children and young people. Donations were also made to Save the Children Finland by participating in their Christmas fundraising, and part of the donation was also directed at families suffering from the crisis in Gaza.

The Savings Banks Research Foundation granted scholarships to university researchers and study projects totalling EUR 65,000 in 2023. In addition, the savings bank trusts that own Savings Banks, structured as limited liability companies, have made significant charitable contributions in various parts of the country.

PERSONNEL AND EXPERTISE

The Savings Banks Group adheres to the principles of corporate governance, openness and the Group's ethical rules. The employees have a responsibility to ensure that customers receive information in accordance with good business conduct and know the consequences of their financial decisions, including any loss risks. Complaints by existing and former customers are handled without delay and in a fair manner, in compliance with the applicable laws and regulations. Communication to all target groups is open, truthful and unbiased. Employees focus on providing clear and transparent information to customers.

At the end of 2023, the Savings Banks Group had 1,350 (1,268) employees. Converted into total resources, the average number of employees for the financial year was 1,210 (1,157). Women accounted for 72% of all employees and men for 28%, and the average age was 42 (42) years. The Savings Banks' Union Coop's Board of Directors has approved the principles of diversity, aimed at ensuring that the Board has, in order to perform its duties, sufficient and versatile competence and experience of the credit institution business and the risks involved. The gender distribution of senior management is discussed in more detail in the Sustainability Report.

OUR EXPERTISE CREATES ADDED VALUE FOR OUR CUSTOMERS

We want to be a self-directed work community of highly competent professionals, with a strong capacity for renewal, where we promote wellbeing at work, leadership, diversity and equality. Expertise is at the heart of our strategy to achieve business goals. At the Savings Banks Group, we support the self-directed maintenance and development of expertise.

In 2023, the Savings Banks Group's training activities took place remotely, in person and as hybrid events. The Savings Bank Centre conducted approximately 200 different training events during the year. They included employee and management training, brief information sessions for various target groups, network meetings, training focused on current issues, and training programmes. We also offer various online courses for self-directed study for various target groups in our learning environment on an ongoing basis.

In addition to maintaining our expertise, we continued to increase our competencies in areas such as change management, coaching-oriented supervisory work and the corporate customer business. During the period, we began preparing for business changes that will affect the work of everyone at the Savings Banks Group, and we implemented a change management plan. All employees also had the opportunity to respond to a regularly conducted change survey, which we use to monitor the success and progress of change.

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. 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. The use of job rotation at the Savings Banks Group has given employees the opportunity to work in various projects and substitute positions. We want everyone to be successful in their respective roles to enable the success of the Savings Banks Group as a whole. We use a coaching-oriented leadership style to strengthen each Savings Bank employee's ability to develop and manage their work, and we support individual teams in reaching their targets.

COACHING FINANCIAL WELLBEING

The Savings Banks Group's financial wellbeing coaching programme strengthens our strategic expertise as a financial partner to our customers. We continued to implement and develop the coaching programme in 2023. The new coaching content supports the competence of both supervisors and experts, providing insights and supporting the application of best practices in day-to-day work.

We utilise the coaching programme's content in a targeted manner in developing the expertise of everyone at the Savings Banks Group. We want to further strengthen our common way of meeting customers regardless of the employee's role. We have strengthened the Savings Banks Group's supervisors' ability to act as mentors. We have implemented the Savings Banks Group's revised sales mentoring model and updated our mentoring discussion practices. We use observation to support collaborative learning and individual development at work.

PERSONNEL SURVEY AND MONITORING THE RESULTS

We updated our personnel survey during the period under review. The new personnel survey provides us

with information on the effectiveness of cooperation in the Savings Banks Group, offers insights into the employee experience, wellbeing at work and the sense of control over one's work, and increases our understanding of the implementation of our mentoring-based approach to leadership. The Savings Banks Group's shared values – customer-drivenness, cooperation, responsibility and performance – make up the framework of the survey. In addition to the broader survey, we also conducted a brief Pulse survey to evaluate the progress of selected development measures.

On the whole, the results of our personnel survey were mostly at a good level. The employee Net Promoter Score (eNPS) was higher than the average for the expert industry. In the survey, the employee's willingness to recommend the employer is expressed on a scale of 0–10 (0=very unlikely, 10=very unlikely). Of the Savings Banks Group's employees, 46% would strongly recommend the Savings Banks Group as a workplace, giving a score of 9 or 10. Some 40% of the employees rated their willingness to recommend the employer as 7 or 8 (neutral), while 14% gave a score between 0 and 6. This translates to an eNPS of +32% for the entire group that participated in our personnel survey. In the Pulse survey, the eNPS was even higher at +35.

We have utilised the results and the development suggestions given in the form of open feedback both locally and at the Group level in the development of work communities, supervisory work, leadership and cooperation.

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. Therefore, human rights have not become a material sustainability theme and no indicator to be monitored has been set for it. However, there may be human rights impacts 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. In 2023, we monitored the extent to which our direct investments comply with international standards and conventions. We monitored compliance on the basis of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Declaration on Fundamental Principles and Rights at Work, for instance. We reported on these as part of Sp-Fund Management Company's and Sb Life Insurance's descriptions of principal adverse impacts, among other disclosures. If we notice a shortcoming, we assess the company's measures and willingness to rectify the underlying factors. We exclude from our direct investments all companies that repeatedly breach international agreements related to human rights, decent work and the environment or infringe against good governance practices (UN Global Compact) and that do not make active attempts to rectify the violation.

ENVIRONMENTAL RESPONSIBILITY

The promotion of environmental responsibility is part of the day-to-day operations of the Savings Banks Group. Due to the nature of the business, the direct environmental impacts and risks of the Savings Bank's own operations are relatively small. 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. We participated in the national Energy Saving Week to reduce energy consumption in 2023: we implemented energy saving measures in cooperation with property owners in areas such as heating, reducing the use of advertising lights and optimising the energy efficiency of equipment. We also promoted the development of the WWF Green Office environmental management system at eight of our business locations, for which we achieved Green Office certification. We will later expand these measures to our other locations.

The investments made by Sp-Fund Management Company Ltd and corporate financing by Savings Bank involve indirect environmental impacts. The Savings Banks Group takes sustainability risks and factors into account in investment decisions, investment advice and lending. Climate change related risks and opportunities and environmental regulation may also have economic impacts, particularly in certain industries or with regard to the geographic location. In 2023, we also updated the Savings Banks Group's responsible and sustainable lending principles and incorporated them into the Amalgamation's lending guidelines, credit management guidelines and the justifications of credit decisions for private customers, and we took new, pro-climate ESG criteria into account as part of our lending systems. Savings Banks also take ESG risks into account in their annual risk assessments. We began to integrate energy certificates and assess climate risks with regard to our housing and property loan portfolio in collaboration with a third party. The Savings Banks Group has set environmental and climate-related targets and indicators for investment, financing and the Group's own operations as part of its sustainability strategy, which was discussed above in the section on managing sustainability.

Sp-Fund Management Company Ltd seeks to evaluate the impacts of sustainable development and climate change on investment targets. Towards the end of the year, Sp-Fund Management Company Ltd updated the climate scenario analyses and stress tests of the equity and interest funds it manages. Sp-Fund Management Company has also excluded coal users and producers from its direct investments. The exclusion concerns mining companies with more than 25% of revenue generated by coal used for energy production or with high production volumes of energy coal (over 30%). With regard to electricity companies, exclusion concerns companies that use significant amounts of coal as fuel (over 30% of total production). If the company has credible plans for implementing the transition to a low-carbon society and plans to reduce its climate impacts and coal use that is compliant with the Paris Agreement or is otherwise credible, it can avoid being excluded. In addition, the Säästöpankki Ympäristö special investment fund complies with more stringent exclusion criteria for coal users and producers.

We report on asset management with regard to climate risks in line with the Task Force on Climate-related Financial Disclosures framework as part of the Savings Banks Group's sustainability report. We also aim to take steps towards reporting on biodiversity risks in line with the Task Force on Nature-Related Financial Disclosures framework. In addition, we report on the carbon footprints and risks of the funds and investments that include environmental solutions that protect natural capital as part of our asset management's responsible investment review and use the carbon dioxide intensity figure recommended by the TCFD as the indicator to be reported. In the review, the average carbon dioxide intensity was 738.6 tCO_2e/USD for the funds managed by the Savings Banks Group's asset management, 748.9 tCO_2e/USD for the investment products of Sb Life Insurance, and 815.0 tCO_2e/EUR for the Savings Banks' own investments in 2023. We continuously develop the reporting and monitoring of the environmental aspects of investments, including the carbon footprint and carbon risk. We have also prepared an analysis of the carbon footprint of our own operations and lending, and we will continue the work in the following year.

Particularly through responsible investment, Sp-Fund Management Company Ltd has a significant opportunity to promote eco-efficiency with its investment decisions. For example, the Säästöpankki Ympäristö special investment fund invests in companies and funds that promote environmental features. Our investment activities take ESG (environmental, social, governance) issues into consideration, which includes an assessment of environmental impacts. In 2023, the Savings Banks' asset management has actively exerted influence through general meetings and investor initiatives. We have also made preparations for the EU's responsible finance regulations, including the obligations laid out in the Sustainable Finance Disclosure Regulation and the Corporate Sustainability Reporting Directive. In addition, we developed data collection through our ESG tools and updated our Responsible Investment Policy and ESG guidelines for portfolio management.

FINANCIAL RESPONSIBILITY

Financial responsibility includes, among other things, good profitability, capital adequacy and liquidity, good governance and responsible management. It is important to us that our customers and partners trust our judgment and our responsible actions in all situations.

To maintain financial responsibility, all of the entities in the Savings Banks Group have to ensure their capital adequacy and liquidity even in poor economic conditions. Savings Banks bear responsibility for promoting the local community's financial wellbeing. We ensure solvency management through a process aimed at evaluating that the volume and quality of capital are adequate with regard to the nature of operations, extent and versatility of the bank and the Savings Banks Amalgamation and to cover all operational risks and risks related to the operational environment. For example, Savings Banks only provide their customers with loans and credit that they can manage without straining their finances.

The 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. The local presence of savings banks is also reflected in the payment of taxes as savings banks are an important taxpayer in many Finnish municipalities. In 2023, we paid EUR 30.0 million in income taxes. In addition to income taxes, the companies of the Savings Banks Group also pay property taxes and other parafiscal taxes as well as indirect taxes such as value added taxes.

The provision and sales of financial services are exempt from value added tax and therefore do not result in the responsibility to pay value added tax. On the other hand, no deductions can be made for the procurements made, and the value added tax of procurements is an expense of the Savings Banks Group. In addition to salary expenses, we pay the mandatory and voluntary insurance fees and the legally required social insurance fees used for the personnel, for the financing of the Finnish social insurance system. The Savings Banks Group employs financial and service industry professionals around Finland and contributes actively to the development of the Finnish banking sector through its presence on the various committees of Finance Finland.

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 as well as orders and guidelines issued by the authorities. All Savings Banks Group employees must know the Code of Conduct and follow it. The Code of Conduct is supplemented by policies concerning conflicts of interest and the reporting of infringements. All Savings Banks Group employees are required to complete the online Code of Conduct training annually. In our sustainability strategy, a target completion rate (95–100%) is set for the online training on the Code of Conduct as part of other mandatory compliance training.

Our anti-corruption and bribery guidelines are incorporated into our Code of Conduct. According to the guidelines, 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 receiving or giving of gifts, hospitality or services that could be interpreted as bribery or an attempt to influence business. It is the responsibility of each employee to assess whether a gift or hospitality has been given without any expectation or obligation of a transaction or return service and, if necessary, to refuse it. We do not give or accept cash gifts or gifts equivalent to them.

Each entity within the Savings Banks Group must define and justify a monetary limit for reasonable gifts or hospitality in relation to its operations. The giving or receiving of a gift or hospitality exceeding this limit must be discussed in advance with a supervisor, and together evaluate whether giving or receiving the gift or hospitality may appear to influence business operations. The entities within the Savings Banks Group maintain monitoring of given and received gifts and hospitality that exceed the defined limit.

There were no reported incidents of bribery or corruption in the Savings Banks Group in 2023, nor were any significant risks related to corruption or bribery identified in the operational risk assessment.

CUSTOMER DUE DILIGENCE AND PREVENTING MONEY LAUNDERING AND TERRORIST FINANCING

The risk management principles related to preventing money laundering and terrorist financing and the risk assessment describe the general principles, procedures and key risk management processes used by the Savings Banks Amalgamation in identifying, assessing, controlling and limiting risks.

We follow customer due diligence procedures on a risk-based basis throughout the customer relationship. We monitor customer relationships and the use of services by customers to ensure that each customer's activities correspond to the experience and information the bank has about the customer relationship. Our aim is to manage the risks associated with customer relationships and detect abnormal behaviour, as well as to effectively prevent abuse and criminal activity. We use systems to implement continuous monitoring and regularly assess and update the scenarios used for monitoring. We report suspicious transactions to the Financial Intelligence Unit in compliance with the legal requirements.

All employees in the Savings Banks Group are required to complete a mandatory annual online training programme on customer due diligence and the prevention of money laundering and terrorist financing. The training is part of the mandatory compliance training activities, for which a target completion rate (95–100%) is set in the sustainability strategy.

WHISTLEBLOWING

The Savings Banks Group values an environment that encourages the open exchange of information. We have established a special independent whistleblowing channel that is open 24/7 and available in all the languages of the Savings Banks Group for the anonymous reporting of breaches of regulations and policies.

Our whistleblowing guidelines have been updated following the entry into force of the Whistleblower Act. The designated individuals in the Central Institution's independent functions process reports, conduct the necessary background checks and, where necessary, request additional information from the person who submits the report. Reports and questions are treated confidentially, and their processing is subject to the confidentiality provisions laid out in the Whistleblower Protection Act. The person who submits the report will be informed within three months from the receipt of the report about the actions taken based on the report. Reports concerning data protection are communicated to the Savings Banks Group's Data Protection Officer, and the Data Protection Officer participates in the processing of such reports.

The Central Institution and entities belonging to the Savings Banks Amalgamation ensure the appropriate treatment of employees reporting violations and protect individuals who have reported concerns from unfair treatment resulting from reporting a violation. We did not receive any reports of violations via the whistleblowing channel in 2023.

RISK MANAGEMENT

Risk management is a part of day-to-day operations, and everyone is responsible for it within their area of responsibility. Effective risk management is based on open dialogue, asking questions and expressing different perspectives to support decision-making.

The Central Institution is in charge of amalgamation-level risk management and the management of capital adequacy as well as the adequacy of the risk management system and keeping it up-to-date. The Central Institution provides the amalgamation's member entities with guidelines on the qualitative requirements necessary for securing their liquidity and capital adequacy, risk management, reliable governance and internal control, and compliance with consistent financial statement policies. Furthermore, the Central Institution supervises the member organisations' compliance with the amalgamation's internal principles as well as appropriate and ethically acceptable operating practices in customer relationships.

The Savings Banks Amalgamation follows a control model based on three lines of defence. The first line of defence is internal control of their own operations by business units and support functions. The second line of defence consists of independent monitoring functions (risk control and compliance functions), and the third line of defence is the internal audit.

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 monitoring operational compliance and compliance with the regulations. 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-to-day operations and employees are regularly provided with training and instructions on risk management in their own work.

The material risk areas are credit and counterparty risk as well as market, interest rate and liquidity risk. Business risks and operational risks are also key risks and apply to all operations. The above-mentioned risks and their management are described in more detail in the Savings Banks Group's IFRS financial statements. Climate risks and risks related to biodiversity loss, and their management in the context of asset management, are discussed in more detail in the Savings Banks Group's sustainability report section related to the Task Force on Climate- and Nature-related Financial Disclosures.

INFORMATION SECURITY

Information security and the provision of secure services to customers are the foundation for successful banking. The Savings Banks Group has taken a systematic and long-term approach to developing the security of its services and IT systems. The Regulation on Digital Operational Resilience for the Financial Sector, which entered into force in January 2023, requires ongoing efforts, including ensuring cybersecurity, in the future.

Increased cyber threats and developments in the activities of cybercriminals require that security in its various forms is one of the focus areas in our operational development in the future as well. In addition, the increasing threats and changes in the operational environment require increasing investment in guiding, supporting and educating customers in the safe use of digital services.

EU TAXONOMY REPORTING OBLIGATIONS

The EU taxonomy is a classification system that aims to define environmentally sustainable economic activities. Its aim is to provide companies, investors and political decision-makers with uniform definitions of environmentally sustainable business functions and thereby help and direct financing investments made possible by the green transition. To meet the taxonomy criteria, an activity must promote at least one of the six EU environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. In addition, the activity must not cause any significant harm to any of these environmental objectives in line with the DNSH (Do No Significant Harm) principle. Furthermore, the corporate social responsibility principles of the UN, the ILO and the OECD must be adhered to.

The purpose of the Savings Banks Group's taxonomy reporting is to explain how and to what extent our activities are related to environmentally sustainable economic activities in accordance with the EU taxonomy definition. The most important performance indicator for credit institutions is the green asset ratio (GAR), which parties in the financial sector must report starting from the financial year 2023.

THE SAVINGS BANKS GROUP'S TAXONOMY REPORTING 2023

The taxonomy-eligible and taxonomy-aligned exposures of the Savings Banks Group in 2023 include mortgages and car financing for private customers, corporate credit within the scope of the NFRD reporting obligation (Non-financial Reporting Directive, 2014/95/EU), and the Savings Banks Group's investments in such counterparties. The reported data has been consolidated in accordance with the instructions in Chapter 1.1.1 of Annex V to the European Commission Delegated Regulation (EU) 2021/2178.

On 21 December 2023, the European Commission published a draft Frequently Asked Questions (FAQ) document to further specify the information required from financial sector entities under the Taxonomy Regulation (EU 2020/852). The purpose of the document is to provide answers to frequently asked questions received by the Commission regarding the delegated disclosure provisions of the Taxonomy Regulation. The Savings Banks Group has reviewed the document and aims to take account of the specifications to taxonomy reporting presented therein. This includes, for example, including the separate taxonomy information for Sb Life Insurance and Sp-Fund Management Company in Group-level taxonomy reporting even though the subsidiaries in question are not within the NFRD's scope of application. The assets of the subsidiaries are presently included in the Savings Banks Group's consolidated taxonomy table (life insurance company and fund management company on line 47), but taxonomy alignment information on the subsidiaries will only be presented for the year 2024 in the forms for asset managers' KPIs and insurance and reinsurance companies' KPIs.

The Savings Banks Group's taxonomy-eligible and taxonomy-aligned exposures

The Savings Bank Group provided financing to taxonomy-eligible business activities in 2023. The classification of business activities is based on the activity descriptions of the EU's Taxonomy Regulation, NACE industry classification codes and Statistics Finland's sector classification codes. With regard to residential mortgages, the Savings Banks Group has identified activity 7.7. Acquisition and ownership of buildings and 7.2. Renovation of existing buildings as taxonomy-eligible activities. The taxonomy eligibility of car financing is based on activity 6.5. Transport by motorbikes, passenger cars and light commercial vehicles.

The taxonomy eligibility of corporate loans is based on the taxonomy reports for 2022 published by companies within the scope of the NFRD. The figures on taxonomy-aligned activities cover only climate change mitigation and adaptation among the taxonomy objectives because obtaining information from the recipients of financing regarding the other four taxonomy objectives is not yet possible.

The determination of the proportion of assets related to companies is based on information retrieved from the Savings Banks Group's systems regarding granted loans and a determination of companies within the scope of the NFRD reporting obligation. As regards corporate loans, information on taxonomy alignment was collected by requesting companies within the scope of the NFRD for their publicly reported taxonomy alignment information and by asking the target companies directly. When information on taxonomy alignment is collected directly from the customer or from the customer's taxonomy report, the information is based on the customer's own assessment. The taxonomy reporting of corporate credit is likely to become more precise in the future as the quality and availability of taxonomy information self-reported by financing recipients and investees is expected to improve as taxonomy reporting practices develop.

For 2023, financial sector entities are required to report taxonomy eligibility and alignment information as stipulated by Commission Delegated Regulation (EU) 2022/1214. The Delegated Regulation added economic activities relating to nuclear power and natural gas, for example. The Savings Banks Group's exposures related to the activities mentioned in the Delegated Regulation have been examined with regard to corporate loans as well as equity and debt securities. In 2023, the Savings Banks Group financed companies that have reported key financial indicators for activities related to nuclear power and natural gas in 2022. The Savings Banks Group's reporting includes tables related to natural gas and nuclear power in accordance with Delegated Regulation (EU) 2022/1214.

Data sources for the Savings Banks Group's own investments and total assets

For the Savings Banks Group's own investments, the information sources used include the Figure system and, with regard to the taxonomy eligibility and alignment of investees, the Upright Project system. The other data sources we have utilised include the financial statements of the Savings Banks Group, information in our data repository, and information collected through the Skenariolabs system with regard to the energy efficiency, year of construction and climate risk assessment of buildings that have received financing. As the Savings Banks Group does not currently have a climate change adaptation plan as required for the taxonomy alignment of financing recipients in the residential mortgage portfolio, the Savings Banks Group reports the taxonomy alignment of the residential mortgage portfolio as 0% for 2023. Furthermore, the draft FAQ document published by the EU Commission on 21 December 2023 mentions that taxonomy alignment would also be subject to obtaining a taxonomy alignment figure from the property developer in question. In the absence of this information, the taxonomy alignment is reported as 0%.

Total assets to be included in the calculation of the ratio do not include receivables from governments, central banks and supranational issuers. The central bank exposures consisted of checking account and minimum reserve deposits. The government exposures resulted from the Group's investments. Taxonomy reporting also requires reporting on the trading book. As a rule, the Savings Banks Group's banking operations do not include trading on their own behalf or customer trading (so-called "trading" operations). The Savings Banks Group does not have a small trading book. Pursuant to Commission Delegated Regulation (EU) 2023/2486, credit institutions should copy forms 0, 1, 2, 3 and 5 as regards public disclosures based on proceeds and capital expenditures (CapEx). Due to data availability, the Savings Banks Group does not publish the green asset ratio (GAR) key performance indicator based on capital expenditure.

Meeting the minimum social safeguards of the taxonomy

To ensure that the minimum social safeguards are met and the Do No Significant Harm principles are observed, the Savings Banks Group has established principles on respecting human rights and fundamental rights at work. These principles take account of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights, including the principles and rights laid out in the eight fundamental conventions identified in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights. The principles also outline the Savings Banks Group's due diligence process concerning human rights and fundamental rights at work.

In the coming years, we aim to develop data collection and calculation and to assess the nature and development of classification-compliant financial activities. In the future, we aim to report these for the next financial years within the schedule and scope required by the applicable regulations.

0. SUMMARY OF KPIS TO BE DISCLOSED BY CREDIT INSTITUTIONS UNDER ARTICLE 8 TAXONOMY REGULATION

		Total environmentally sustainable assets	**KPI (****)**	**KPI (*****)**	**% coverage (over total assets) (***)**	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2 of Annex V)**	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)**
Main KPI	Green asset ratio (GAR) stock	13	0.11%	-	0.10%	35.98%	13.15%
		Total environmentally sustainable activities	KPI		% coverage (over total assets)	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2 of Annex V)**	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)**
Additional KPIs	GAR (flow)	-	-	-	-	-	-
	Trading book*	0	0	0			
	Financial guarantees	0	0	0			
	Assets under management	0	0	0			
	Fees and commissions income**	-	-	-			

* For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR.

** Fees and commissions income from services other than lending and AuM.

*** Instutitons shall dislcose forwardlooking information for this KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.

**** % of assets covered by the KPI over banks' total assets.

***** Based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used.

1.ASSETS FOR THE CALCULATION OF GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	z	aa	ab	ac	ad	ae	af
	Million EUR	Disclosure reference date T																														
			Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)								
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)			
		Total [gross] carrying amount			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator																															
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	6,740	6,011	8	0	1	3	6	1	0	1	1	1	0	0	28	2	0	0	7	1	0	0	4	0	0	0	6,057	13	0	1	3
2	Financial undertakings	28	9	0	0	0	0	4	1	0	0	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	17	1	0	0	1
3	Credit institutions	12	3	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	0	0	0	0
4	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Debt securities, including UoP	10	3	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0
6	Equity instruments	2	0	0		0	0	0	0		0	0			0	0	0		0	0	0		0	0	0		0	0	0		0	0
7	Other financial corporations	17	6	0	0	0	0	3	0	0	0	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	12	1	0	0	1
8	of which investment firms																															
9	Loans and advances																															
10	Debt securities, including UoP																															
11	Equity instruments																															
12	of which management companies																															
13	Loans and advances																															
14	Debt securities, including UoP																															
15	Equity instruments																															
16	of which insurance undertakings																															
17	Loans and advances																															
18	Debt securities, including UoP																															
19	Equity instruments																															
20	**Non-financial undertakings**	178	43	8	0	1	3	2	0	0	0	1	1	0	0	25	2	0	0	7	1	0	0	4	0	0	0	81	12	0	1	3
21	Loans and advances	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	Debt securities, including UoP	160	41	7	0	1	2	2	0	0	0	1	1	0	0	23	1	0	0	6	1	0	0	3	0	0	0	76	11	0	1	3
23	Equity instruments	17	2	1		0	0	0	0		0	0	0		0	2	0		0	1	0		0	0	0		0	4	1		0	0
24	**Households**	6,524	5,963	0	0	0	0	0	0	0	0					0	0	0	0									5,963	0	0	0	0
25	of which loans collateralised by residential immovable property	5,791	5,791	0	0	0	0	0	0	0	0					0	0	0	0									5,791	0	0	0	0
26	of which building renovation loans	171	171	0	0	0	0	0	0	0	0					0	0	0	0									171	0	0	0	0
27	of which motor vehicle loans	2	0	0	0	0	0																					0	0	0	0	0
28	**Local governments financing**	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	Housing financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Other local government financing	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	4,768																														
33	**Financial and Non-financial undertakings**	3,422																														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	3,421																														
35	Loans and advances	3,144																														
36	of which loans collateralised by commercial immovable property	521																														
37	of which building renovation loans																															
38	Debt securities	269																														
39	Equity instruments	8																														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	1																														
41	Loans and advances	0																														
42	Debt securities																															
43	Equity instruments	1																														
44	**Derivatives**	32																														
45	**On demand interbank loans**	22																														
46	**Cash and cash-related assets**	7																														
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	1,284																														
48	**Total GAR assets**	11,508	6,011	8	0	1	3	6	1	0	1	1	1	0	0	28	2	0	0	7	1	0	0	4	0	0	0	6,057	13	0	1	3
49	**Assets not covered for GAR calculation**	1,743																														
50	**Central governments and Supranational issuers**	247																														
51	**Central banks exposure**	1,496																														
52	**Trading book**																															
53	**Total assets**	13,251	6,011	8	0	1	3	6	1	0	1	1	1	0	0	28	2	0	0	7	1	0	0	4	0	0	0	6,057	13	0	1	3
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																															
54	Financial guarantees																															
55	Assets under management																															
56	Of which debt securities																															
57	Of which equity instruments																															

The table presents information on loans, debt securities and equity instruments that relate to financial corporations, non-financial corporations, including SMEs, households (including only loans collateralised by residential immovable property, building renovation loans and motor vehicle loans) and local governments/municipalities (housing financing)
Motor vehicle loans include exposures originated after the date of application of the disclosures.

2. GAR SECTOR INFORMATION

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab
	Breakdown by sector – NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		Non-Financial corporates (Subject to NFRD)	
		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount		(Gross) carrying amount	
		Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	07.10 Mining of iron ores	0				0				0				0				0				0				0			
2	10.13 Production of meat and poultry meat products	3				3				3				3	0			3				3				3	0		
3	11.05 Manufacture of beer	3				3				3				3	0			3				3				3	0		
4	14.13 Manufacture of other outerwear	1				1				1				1	0			1	0			1				1	0		
5	14.19 Manufacture of other wearing apparel and accessories	0				0				0				0	0			0				0				0	0		
6	17.12 Manufacture of paper and paperboard	0				0				0				0				0				0				0			
7	17.22 Manufacture of household and sanitary goods and of toilet requisites	1				1				1				1				1				1				1			
8	18.12 Other printing	0				0				0				0				0				0				0			
9	19.20 Manufacture of refined petroleum products	1	0			1				1	0			1	0			1	0			1	0			1	0		
10	20.13 Manufacture of other inorganic basic chemicals	7	0			7				7	1			7	0			7	1			7				7	2		
11	20.30 Manufacture of paints, varnishes and similar coatings, printing ink and mastics	0				0				0				0				0	0			0				0	0		
12	20.42 Manufacture of perfumes and toilet preparations	0				0				0				0				0				0				0			
13	20.59 Manufacture of other chemical products n.e.c.	0	0			0				0	0			0	0			0	0			0				0	0		
14	21.20 Manufacture of pharmaceutical preparations	2				2				2				2				2				2				2			
15	22.11 Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber tyres	1	0			1				1				1				1	0			1				1	0		
16	22.22 Manufacture of plastic packing goods	3				3				3				3				3				3				3			
17	23.51 Manufacture of cement	3	0			3				3				3				3				3				3	0		
18	24.10 Manufacture of basic iron and steel and of ferro-alloys	0	0			0				0				0				0				0				0	0		
19	26.11 Manufacture of electronic components	1	0			1				1	0			1	0			1	0			1				1	0		
20	26.20 Manufacture of computers and peripheral equipment	3				3				3				3				3				3				3			
21	26.30 Manufacture of communication equipment	0				0				0				0				0				0				0			
22	27.32 Manufacture of other electronic and electric wires and cables	3	1			3				3				3	0			3				3				3	1		
23	27.51 Manufacture of electric domestic appliances	3				3				3	0			3	0			3				3				3	0		
24	28.11 Manufacture of engines and turbines, except aircraft, vehicle and cycle engines	1				1				1	0			1	0			1	0			1	0			1	0		
25	28.22 Manufacture of lifting and handling equipment	2	0			2				2				2				2				2				2	0		
26	28.92 Manufacture of machinery for paper and paperboard production	0	0			0				0	0			0	0			0	0			0				0	0		
27	28.95 Manufacture of machinery for paper and paperboard production	0	0			0				0				0	0			0				0				0	0		
28	29.10 Manufacture of motor vehicles	12	1			12	0			12				12	0			12	0			12				12	1		
29	29.31 Manufacture of electrical and electronic equipment for motor vehicles	1				1				1				1				1				1				1			
30	35.11 Production of electricity	6	2			6				6				6	0			6	0			6				6	2		
31	35.13 Distribution of electricity	5	2			5				5				5	0			5				5				5	2		
32	35.30 Steam and air conditioning supply	3				3				3				3	0			3	0			3				3	0		
33	41.20 Construction of residential and non-residential buildings	2	1			2				2	0			2				2				2				2	1		
34	42.22 Construction of utility projects for electricity and telecommunications	1				1	0			1				1				1				1				1	0		
35	43.11 Demolition	1	0			1				1	0			1	0			1	0			1	0			1	0		
36	46.90 Non-specialised wholesale trade	0				0				0				0				0				0				0			
37	47.19 Other retail sale in non-specialised stores	3	0			3				3				3	0			3				3				3	0		
38	47.59 Retail sale of furniture, lighting equipment and other household articles in specialised stores	3				3				3				3				3				3				3			
39	47.75 Retail sale of cosmetic and toilet articles in specialised stores	2				2				2				2	0			2				2				2	0		
40	47.91 Retail sale via mail order houses or via Internet	0				0				0				0				0				0				0			
41	49.41 Freight transport by road	3				3				3				3				3				3				3			
42	50.20 Sea and coastal freight water transport	4	0			4				4				4				4				4				4	0		
43	51.10 Passenger air transport	5				5				5				5				5				5				5			
44	53.10 Postal activities under universal service obligation	0	0			0				0				0				0				0				0	0		
45	56.29 Other food service activities	1	0			1				1				1	0			1				1				1	0		
46	58.13 Publishing of newspapers	4				4				4				4				4				4				4			
47	58.29 Other software publishing	0				0				0				0				0				0				0			
48	61.20 Wireless telecommunications activities	6	0			6	0			6				6				6				6				6	0		
49	61.90 Other telecommunications activities	1				1				1				1	0			1				1				1	0		
50	62.01 Computer programming activities	0				0				0				0				0				0				0			
51	62.03 Computer facilities management activities	5				5				5				5				5				5				5			
52	62.09 Other information technology and computer service activities	1				1				1				1				1				1				1			
53	68.20 Renting and operating of own or leased real estate	11	1			11				11				11				11				11	0			11	1		
54	70.22 Business and other management consultancy activities	0				0				0				0				0				0				0			
55	71.12 Engineering activities and related technical consultancy	2	0			2	0			2	0			2	0			2	0			2				2	1		
56	80.10 Private security activities	6				6				6				6				6				6				6			
57	81.21 General cleaning of buildings	3				3				3				3	1			3				3	0			3	1		
58	86.90 Other human health activities	3				3				3				3				3				3				3			

The table presents off-trading book exposures in sectors that are within the scope of the taxonomy (NACE sectors at the four-digit level) using the relevant NACE codes based on the counterparty's primary activity. The NACE classification of counterparties is based solely on the nature of the immediate counterparty. The classification of exposures arising jointly from multiple counterparties is based on the nature of the counterparty whose role was the most important or decisive when the institution made the decision on the exposure. The classification of joint exposures according to the NACE codes is determined by the nature of the most significant debtor.

3. GAR KPI STOCK

		a	b	c	d	e	f	g	h	i
		Disclosure reference date T								
		Climate Change Mitigation (CCM)					**Climate Change Adaptation (CCA)**			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
	% (compared to total covered assets in the denominator)			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling
	GAR - Covered assets in both numerator and denominator									
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	89.18%	0.12%	0.00%	0.02%	0.04%	0.09%	0.01%	0.00%	0.01%
2	**Financial undertakings**	31.23%	1.15%	0.00%	0.39%	0.44%	14.84%	1.96%	0.00%	1.75%
3	Credit institutions	27.42%	1.33%	0.00%	0.96%	0.46%	12.14%	0.76%	0.00%	0.26%
4	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5	Debt securities, including UoP	32.13%	1.58%	0.00%	1.15%	0.55%	13.94%	0.90%	0.00%	0.31%
6	Equity instruments	2.84%	0.00%		0.00%	0.00%	2.84%		0.00%	0.00%
7	Other financial corporations	33.85%	1.03%	0.00%	0.00%	0.42%	16.69%	2.78%	0.00%	2.78%
8	of which investment firms									
9	Loans and advances									
10	Debt securities, including UoP									
11	Equity instruments									
12	of which management companies									
13	Loans and advances									
14	Debt securities, including UoP									
15	Equity instruments									
16	of which insurance undertakings									
17	Loans and advances									
18	Debt securities, including UoP									
19	Equity instruments									
20	**Non-financial undertakings**	24.07%	4.49%	0.00%	0.72%	1.41%	0.94%	0.22%	0.00%	0.20%
21	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
22	Debt securities, including UoP	25.73%	4.61%	0.00%	0.74%	1.40%	1.02%	0.24%	0.00%	0.22%
23	Equity instruments	10.34%	3.75%		0.64%	1.62%	0.32%		0.00%	0.05%
24	**Households**	91.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
25	of which loans collateralised by residential immovable property	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
26	of which building renovation loans									
27	of which motor vehicle loans									
28	**Local governments financing**									
29	Housing financing									
30	Other local government financing									
31	**Collateral obtained by taking possession: residential and commercial immovable properties**									
32	**Total GAR assets**	52.23%	0.07%	0.00%	0.01%	0.02%	0.05%	0.01%	0.00%	0.01%

		j	k	l	m	n	o	p	q	r	s	t	u
		Water and marine resources (WTR)				**Circular economy (CE)**				**Pollution (PPC)**			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
	% (compared to total covered assets in the denominator)			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which enabling
	GAR - Covered assets in both numerator and denominator												
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0.02%	0.01%	0.00%	0.00%	0.42%	0.02%	0.00%	0.00%	0.10%	0.01%	0.00%	0.00%
2	**Financial undertakings**	0.00%	0.00%	0.00%	0.00%	13.35%	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3	Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
6	Equity instruments	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%	0.00%	0.00%		0.00%
7	Other financial corporations	0.00%	0.00%	0.00%	0.00%	22.52%	0.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
8	of which investment firms												
9	Loans and advances												
10	Debt securities, including UoP												
11	Equity instruments												
12	of which management companies												
13	Loans and advances												
14	Debt securities, including UoP												
15	Equity instruments												
16	of which insurance undertakings												
17	Loans and advances												
18	Debt securities, including UoP												
19	Equity instruments												
20	**Non-financial undertakings**	0.73%	0.53%	0.00%	0.00%	13.82%	0.91%	0.00%	0.00%	3.76%	0.39%	0.00%	0.00%
21	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
22	Debt securities, including UoP	0.78%	0.57%	0.00%	0.00%	14.44%	0.92%	0.00%	0.00%	3.82%	0.40%	0.00%	0.00%
23	Equity instruments	0.32%	0.22%		0.00%	8.94%	0.87%		0.00%	3.44%	0.37%		0.00%
24	**Households**					0.00%	0.00%	0.00%	0.00%				
25	of which loans collateralised by residential immovable property					0.00%	0.00%	0.00%	0.00%				
26	of which building renovation loans												
27	of which motor vehicle loans												
28	**Local governments financing**												
29	Housing financing												
30	Other local government financing												
31	**Collateral obtained by taking possession: residential and commercial immovable properties**												
32	**Total GAR assets**	0.01%	0.01%	0.00%	0.00%	0.25%	0.01%	0.00%	0.00%	0.06%	0.01%	0.00%	0.00%

		v	w	x	z	aa	ab	ac	ad	ae	af
		Biodiversity and Ecosystems (BIO)				**TOTAL (CCM + CCA + WTR + CE + PPC + BIO)**					
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				
	% (compared to total covered assets in the denominator)			Of which Use of Proceeds	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
	GAR - Covered assets in both numerator and denominator										
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0.05%	0.00%	0.00%	0.00%	89.86%	0.19%	0.00%	0.02%	0.05%	0.00%
2	**Financial undertakings**	0.00%	0.00%	0.00%	0.00%	59.42%	3.25%	0.00%	0.39%	2.19%	0.00%
3	Credit institutions	0.00%	0.00%	0.00%	0.00%	39.56%	2.09%	0.00%	0.96%	0.72%	0.00%
4	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5	Debt securities, including UoP	0.00%	0.00%	0.00%	0.00%	46.07%	2.49%	0.00%	1.15%	0.86%	0.00%
6	Equity instruments	0.00%	0.00%		0.00%	5.68%	0.00%		0.00%	0.00%	0.00%
7	Other financial corporations	0.00%	0.00%	0.00%	0.00%	73.06%	4.04%	0.00%	0.00%	3.20%	0.00%
8	of which investment firms										
9	Loans and advances										
10	Debt securities, including UoP										
11	Equity instruments										
12	of which management companies										
13	Loans and advances										
14	Debt securities, including UoP										
15	Equity instruments										
16	of which insurance undertakings										
17	Loans and advances										
18	Debt securities, including UoP										
19	Equity instruments										
20	**Non-financial undertakings**	2.01%	0.12%	0.00%	0.00%	45.34%	6.67%	0.00%	0.72%	1.61%	0.00%
21	Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
22	Debt securities, including UoP	2.15%	0.13%	0.00%	0.00%	47.94%	6.87%	0.00%	0.74%	1.62%	0.00%
23	Equity instruments	0.86%	0.01%		0.00%	24.21%	5.27%		0.64%	1.67%	0.00%
24	**Households**					91.40%	0.00%	0.00%	0.00%	0.00%	0.00%
25	of which loans collateralised by residential immovable property					100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
26	of which building renovation loans										
27	of which motor vehicle loans					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
28	**Local governments financing**										
29	Housing financing										
30	Other local government financing										
31	**Collateral obtained by taking possession: residential and commercial immovable properties**										
32	**Total GAR assets**	0.03%	0.00%	0.00%	0.00%	52.63%	0.11%	0.00%	0.01%	0.03%	0.00%

The table presents KPIs on the GAR of the loan portfolio. Information on the GAR (the share of green assets of taxonomy-eligible activities) includes the proportion of total assets taken into account in calculating the GAR.

5. KPI OFF-BALANCE SHEET EXPOSURES

		a	b	c	d	e
		Disclosure reference date T				
		Climate Change Mitigation (CCM)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
% (compared to total eligible off-balance sheet assets)				Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)					
2	Assets under management (AuM KPI)					

		f	g	h	i
		Climate Change Adaptation (CCA)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
% (compared to total eligible off-balance sheet assets)				Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)				
2	Assets under management (AuM KPI)				

		j	k	l	m
		Water and marine resources (WTR)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
% (compared to total eligible off-balance sheet assets)				Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)				
2	Assets under management (AuM KPI)				

		n	o	p	q
		Circular economy (CE)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
% (compared to total eligible off-balance sheet assets)				Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)				
2	Assets under management (AuM KPI)				

		r	s	t	u
		Pollution (PPC)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
% (compared to total eligible off-balance sheet assets)				Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)				
2	Assets under management (AuM KPI)				

		v	w	x	z
		Biodiversity and Ecosystems (BIO)			
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
% (compared to total eligible off-balance sheet assets)				Of which Use of Proceeds	Of which enabling
1	Financial guarantees (FinGuar KPI)				
2	Assets under management (AuM KPI)				

		aa	ab	ac	ad	ae
		TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
% (compared to total eligible off-balance sheet assets)				Of which Use of Proceeds	Of which transitional	Of which enabling
1	Financial guarantees (FinGuar KPI)					
2	Assets under management (AuM KPI)					

6. NUCLEAR AND FOSSIL GAS RELATED ACTIVITIES

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	Yes
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	Yes
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	Yes
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	Yes
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	Yes

TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (DENOMINATOR)

Turnover							
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
2.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0,05	0.00%	0,05	0.00%		
3.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1,05	0.01%	1,05	0.01%		
4.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
5.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
6.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	11,70	0.10%	7,23	0.06%		
8.	**Total applicable KPI**	12,79	0.11%	8,33	0.07%		

CapEx							
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
2.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
3.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0,27	0.00%	0,27	0.00%		
4.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
5.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
6.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	12,52	0.11%	8,05	0.07%		
8.	**Total applicable KPI**	12,79	0.11%	8,33	0.07%		

TAXONOMY-ALIGNED ECONOMIC ACTIVITIES (NUMERATOR)

Turnover							
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
2.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0,46	3.57%	0,46	3.57%		
3.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	3,73	29.19%	3,73	29.19%		
4.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
5.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
6.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	8,60	0.07%	4,14	49.66%		
8.	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	12,79	100%	8,33	65%		

CapEx							
		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	**Economic activities**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
1.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
2.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
3.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0,82	6.41%	0,82	6.41%		
4.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
5.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
6.	Amount and proportion of taxonomyaligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI						
7.	**Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI**	11,97	0.10%	7,51	58.67%		
8.	**Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI**	12,79	100%	8,33	65%		

TAXONOMY-ELIGIBLE BUT NOT TAXONOMY-ALIGNED EXONOMIC ACTIVITIES

Turnover							
		Proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Row	Economic activities	Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2,23		2,23			
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2,72		2,72			
6.	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI"	0,18		0,18			
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	6,044,64	53%	6,005,87	52%		
8.	**Total amount and proportion of taxonomy-eligible but not taxonomy aligned economic activities in the denominator of the applicable KPI**	6,049,77	53%	6,011,00	52%		

CapEx							
		Proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Rivi	Taloudelliset toiminnot	Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI						
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1,34		1,34			
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	2,63		2,63			
6.	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI"	0,27		0,27			
7.	**Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	6,045,53	53%	6,006,76	52%		
8.	**Total amount and proportion of taxonomy-eligible but not taxonomy aligned economic activities in the denominator of the applicable KPI**	6,049,77	53%	6,011,00	52%		

TAXONOMY NON-ELIGIBLE ECONOMIC ACTIVITIES

Turnover			
Row	**Economic activities**	**Amount**	**Percentage**
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0,02	0.00%
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
7.	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	689,98	6.00%
8.	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	690,00	6.00%

CapEx			
Row	**Economic activities**	**Amount**	**Percentage**
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0,02	0.00%
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI		
7.	**Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI**	689,98	
8.	**Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI**	690,00	6.00%

DEVELOPMENT OF TAXONOMY REPORTING

We consider the proportion of taxonomy-aligned assets to be positive. However, so far no objectives have been set for taxonomy-aligned financing and investing activities in the Savings Banks Group's business strategy. In the future, we aim to take taxonomy alignment into account through having a sustainable product range and the sustainable lending criteria we have implemented. In addition, we aim to support customers and counterparties in achieving green objectives. Sp-Fund Management Company Ltd also engages in active influence efforts in its investees; for example, by having company meetings and attending shareholders' meetings. In addition, we strive to develop taxonomy-related interaction with loan customers, and we have integrated taxonomy-related content into our justifications for credit decisions guidelines, for instance.

In the coming years, we will develop data collection and calculation related to the taxonomy as the Taxonomy Regulation is expanded in the coming years.

OPERATIONS AND PROFIT BY BUSINESS SEGMENT

BANKING SERVICES

The customer satisfaction and customer experience of the Savings Banks' private customers improved further in 2023. In EPSI Rating's banking and finance 2023 customer survey, the customer satisfaction of Savings Bank exceeded the industry average by a clear margin in all of the categories. The survey indicated that the Savings Bank has the best understanding of the needs of private customers in the banking sector. The Savings Banks' Net Promoter Score (NPS) for customer meetings rose to a relatively high level in 2023, with the average for the year being as high as 84.7. During the year, Savings Banks launched an energy loan to encourage households to make the green transition. During the campaign, Savings Bank mortgage customers received a concrete benefit by having a margin of 0.0% applied to energy loans. In the autumn of 2023, the Savings Banks Group launched an extensive business development project that includes concrete steps towards the realisation of the Savings Banks Group's digital vision. In the first phase, the Group will renew its customer relationship management and lending systems. The project will enable the seamless integration of in-person and digital services, which will be reflected in an increasingly smooth and convenient service experience for both customers and employees. In late 2023, we also launched the first part of the financial wellbeing features to be incorporated into our mobile service. The new feature enables the classification of transactions in a private customer's checking account, helping the customer establish an understanding of their expenses and income for a given period. During the financial year, the structure of the Savings Banks' private customer base developed favourably and the number of private customers using Savings Banks' services extensively and concentrating their banking in Savings Banks increased year-on-year. In spite of the challenging housing market situation, the loan portfolio of the Savings Banks' private customers developed favourably during the financial year.

The customer satisfaction of the Savings Banks' corporate customers also improved from the previous year. EPSI Rating's banking and finance 2023 customer survey also found that the Savings Banks' customer satisfaction among companies with over 10 employees was much higher than the industry average. The Savings Banks' Net Promoter Score (NPS) for customer meetings in the corporate customer segment was also excellent, with the average NPS for the year being 85.7. The Savings Banks Group strengthened its service offering for corporate customers during the year by launching Savings Bank Corporate Bank services alongside the previously offered services. The service is aimed at SMEs that have grown slightly larger than micro-enterprises.

The Savings Banks Group also enhanced its product offering for corporate customers midway through the year by launching the Kassavahti deposit funding solution. The number of corporate and forestry and agriculture customers using Savings Banks' services extensively grew significantly during the year, contributing to the implementation of the Savings Banks Group's strategic goals. The strong growth of corporate financing in line with the strategic goals was partly supported by the guarantee schemes of the European Investment Fund and the extensive utilisation of Finnvera's guarantee products.

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 stood at EUR 2,198 (2,240) million at the end of the year.

The Central Bank of Savings Banks Finland Plc is a bank owned by Savings Banks, which produces various Central Bank services for Savings Banks. In 2023, the focus of the business operations of the Central Bank of Savings Banks was on high-quality services and their continued development. On 20 October 2023, 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 is stable.

PROFIT TRENDS, CONTINUING OPERATIONS (COMPARISON FIGURES 1–12/2022)

Profit before tax of Banking Operations was EUR 88.4 (49.8) million. Net interest income totalled EUR 263.2 (169.9) million. Net fee and commission income amounted to EUR 69.5 (67.9) million. Net investment income decreased to EUR -29.9 (-6.9) million. Other operating revenue amounted to EUR 12.8 (43.6) million. In the comparison period, other operating revenue was increased by compensation of EUR 33.9 million received from Cognizant in connection with the termination of the agreement related to the core banking system renewal project.

A total of EUR -10.0 (-15.9) million was recognised in impairments of financial assets. Personnel expenses amounted to EUR 63.5 (58.3) million. The number of personnel in the Banking Operations segment was 921 (873) at the end of the financial year. Other operating expenses and depreciation amounted to EUR 153.8 (150.5) million. Expenses in the comparison period were increased by impairment of EUR 7.6 million on items capitalised on the balance sheet in connection with the core banking system renewal project.

The balance sheet for Banking Operations came to EUR 12.1 (11.3) billion. Loans and advances to customers increased to EUR 9.5 (9.0) billion. Deposits received from customers amounted to EUR 7.0 (7.0) billion.

ASSET MANAGEMENT SERVICES

In terms of sales, 2023 was much like the previous year for Asset Management Services in spite of the challenging market environment. In the investment markets, rising interest rates in the beginning of the year and the consequent predominantly declining asset values challenged the sales of Asset Management Services. The Savings Banks Group continued its strong and high-quality work with customers, and the net sales of Asset Management Services were positive in each month of the year. The demand and number of customers for the Savings Bank Private Banking Service saw particularly strong growth during the year. In relative terms, we performed well in the sale of services to corporate customers.

The Savings Banks developed their services across all channels. The core banking system renewal for Asset Management Services progressed according to plan during the year, with several system deployments carried out and a significant proportion of the outcomes being put into use. When the project as a whole is completed in the first half of 2024, the core banking system renewal will enable a significant improvement in process efficiency and support the growth of Asset Management Services. The operations of Sb Life Insurance Ltd and Sp-Fund Management Company Ltd were undisrupted throughout the year and the customer experience remained good.

In spite of the challenges in the investment markets, net subscriptions to investment funds managed by Sp-Fund Management Company were positive. Its market share among Finnish fund management companies increased by 0.05 percentage points to 3.2% at the end of the year. The number of new continuous fund saving agreements signed decreased by 25.9% year-on-year. 59.1% of fund subscriptions and 20.8% of continuous fund saving agreements were made on a self-service basis using digital channels. Fund capital increased by 13.3% year-on-year and amounted to EUR 4.7 billion at the end of the year. Net subscriptions to funds managed by Sp-Fund Management Company totalled EUR 274.4 (216.9) million. The number of fund unit holders grew by 0.9% from the previous year. The funds had 285,975 unit holders. In terms of the number of unit holders, Sp-Fund Management Company is the fourth-largest fund management company in Finland.

At the end of the financial year, Sp-Fund Management Company Ltd managed 24 investment funds, the largest of which was the Savings Bank Interest Plus investment fund with capital of EUR 697.6 billion. In terms of the number of unit holders, the largest of the funds was Säästöpankki Ryhti, which had 36,580 unit holders at the end of the review period. Of the funds managed by Sp-Fund Management Company, Säästöpankki lyhytkorko -investment fund accumulated the largest amount of new capital, with EUR 123.1 million in net subscriptions.

Endowment insurance sales decreased year-on-year, with net sales turning slightly negative. Premium income from endowment insurance decreased by 8.3% year-on-year. Premium income from risk insurance products increased by 2.3%. Unit-linked insurance savings increased, totalling EUR 908.4 million at the end of the year.

FINANCIAL PERFORMANCE (COMPARISON FIGURES 1–12/2022)

The Savings Bank Group has applied the IFRS 17 Insurance Contracts standard since January 1, 2023. With the introduction of the standard, insurance service income and financial income and expenses from insurance contracts are presented as new items in the income statement.

Profit before tax for Asset Management Services came to EUR 48.3 (21.0) million.

Net fee and commission income was EUR 56.6 (61.0) million. Investment income, net was EUR 26.0 (-105.4) million.

Insurance service result was EUR 3.8 (-1.1) million. Premium income increased to EUR 18.8 (18.1) million. Insurance service costs decreased to EUR 14.2 (17.8) million. During the financial year, the cancellation of write-downs of onerous contracts reduced insurance service costs by EUR 1.8 million, when in the comparison period onerous contracts increased the by EUR 1.9 million. During the review period, financial income and expenses, net from insurance contracts was EUR -32.8 (75.6) million.

Operating expenses were EUR 6.1 (9.4) million. Personnel expenses amounted to EUR 2.4 (1.9) million. Other operating expenses and depreciation totalled EUR 3.8 (7.5) million. The number of personnel in the Asset Management Services segment on 31 December 2023 was 61 (63). With the adoption of IFRS 17, a significant part of operating expenses will be capitalised in the calculation of insurance liabilities. During the review period, the operating expenses capitalised in the calculation of insurance liabilities were EUR 13,9 (12,2) million.

Total balance sheet for Asset Management Services was 1,107.3 (31 December 2022: 1,044.5).

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.

Sp-Koti is a genuinely local real estate agent franchise group that is part of the Savings Banks Group. It serves customers in more than 80 offices across Finland and in 2 locations in Spain.

MATERIAL EVENTS AFTER THE CLOSING DATE

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

Outlook for the operational environment in 2024

The growth outlook for 2024 is subdued. Europe is starting the new year in a recession and, in particular, the economic situation of Germany and Sweden, which are key trade partners for Finland, is weaker than usual. Economic growth in the United States is expected to slow down, but a soft landing is quite possible, which would avoid a more severe economic downturn despite rapid interest rate hikes. Growth in China is also slowing down.

The Finnish economy entered a recession in the second half of 2023, and continued subdued development is expected in 2024. Economic growth may pick up again towards the end of the year as interest rate cuts begin to have a stimulating effect on the economy. On the whole, we expect the Finnish economy to see approximately zero growth in 2024.

For households, the situation will begin to ease in 2024. Purchasing power will turn to an increase again and private consumption will gradually recover. In recent years, many households have had to use their savings to compensate for rising prices and interest rates. We expect that these savings will start to accumulate again and the household saving rate will increase slightly.

The housing market is expected to pick up slowly as the year goes on. Interest rate cuts and improving consumer purchasing power will boost confidence, prompting consumers to venture back into the housing market. While a major recovery is unlikely, a slight improvement from the previous year is expected.

Due to subdued economic growth, we expect unemployment to increase in 2024, albeit to a moderate degree. The average unemployment rate will still be under 8%. There has been a long-standing shortage of skilled workers, and companies want to retain their employees in spite of the economic slump.

The outlook for businesses remains weak at the start of the year. Especially in the construction industry, a more significant recovery is not yet likely, although the gradual decrease in interest rates will slowly improve the sector's outlook in the latter part of the year. The manufacturing industry suffers from the weak global economic cycle.

Inflation is expected to continue to slow down in 2024, although the fastest decline has already passed. This will enable central banks to reduce interest rates. Indeed, several interest rate cuts are likely during the year. This will bring relief to Finnish mortgage holders and gradually improve the outlook of the construction sector. However, there are still inflation-related risks associated with the potential escalation of the conflict in the Middle East and a substantial increase in oil prices.

Business outlook

While various uncertainties create challenges for 2024, they 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 2024, 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 2024, the Group aims to acquire more customers who will focus their banking services on a Savings Bank.

FURTHER INFORMATION:

Karri Alameri, CEO
tel. +358 45 656 5250
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

Revenue:	Interest income, fee income, net investment income, net life insurance income, other operating revenuet
Total operating revenue:	Net interest income, net fee and commission income, net investment income, net life insurance income, other operating revenue
Total operating expenses:	Personel 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 %:	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}} \times 100$
Return on assets %:	$\frac{\text{Profit}}{\text{Total assets (average)}} \times 100$
Equity/assets ratio %:	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}} \times 100$

ALTERNATIVE PERFORMANCE MEASURES

The 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.

The Savings Bank Group does not use any Alternative Performance Measures that are not directly calculated using the information presented in financial statements, nor have there been any changes to the presented performance measures.

SAVINGS BANKS GROUP'S CONSOLIDATED IFRS FINANCIAL STATEMENTS

SAVINGS BANKS GROUP'S INCOME STATEMENT

(EUR 1,000)	Note	1–12/2023	1–12/2022*
Interest income		478,708	204,880
Interest expense		-214,947	-35,270
Net interest income	7	263,761	169,610
Net fee and commission income	8	126,397	128,570
Net investment income	9	-4,145	-112,553
Insurance premium revenue		18,844	18,068
Insurance service expenses		-14,218	-17,765
Net income from reinsurance contracts		-871	-1,358
Net insurance income	14	3,755	-1,056
Finance income and expenses of the insurance contracts	14	-32,835	75,616
Other operating revenue	16	21,062	44,966
Total operating revenue		377,995	305,154
Personnel expenses	22	-94,262	-87,044
Other operating expenses	16	-126,774	-110,889
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	15	-11,456	-20,452
Total operating expenses		-232,492	-218,385
Net impairment loss on financial assets	9	-9,988	-15,882
Associate's share of profits		14	16
Profit before tax		135,529	70,903
Income tax expense		-30,042	-14,736
Profit, continuing operations		105,487	56,168
Profit, Lieto Savings Bank's exit from Savings Banks Group	25	2,712	11,251
Profit		108,199	67,419
Profit attributable to:			
Equity holders of the Group		108,209	67,438
Non-controlling interests		-9	-20
Total		108,199	67,419

* Comparatives have been adjusted due to exit from Savings Banks Group and the transition to IFRS 17 as well as termination of the use of temporary exemption (more information in note 2).

SAVINGS BANKS GROUP'S STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1–12/2023	1–12/2022*
Profit	108,199	67,419
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Remeasurements of defined benefit obligation	-72	1,443
Deferred tax from remeasurements of defined benefit obligation	-18	39
Capital gain of financial assets at fair value through other comprehensive income	-1,268	51
Total	-1,357	1,533
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	29,505	-69,625
Deferred tax from fair value measurements	-5,084	13,663
Cash flow hedges	63	-1,240
Deferred tax from cash flow hedges	-13	248
Total	24,471	-56,954
Total comprehensive income	131,313	11,997
Attributable to:		
Equity holders of the Group	131,322	12,017
Non-controlling interests	-9	-20
Total	131,313	11,997

SAVINGS BANKS GROUP'S STATEMENT OF FINANCIAL POSITION

Assets (EUR 1,000)	Note	31.12.2023	31.12.2022*
Assets			
Cash and cash equivalents		1,431,712	1,207,448
Loans and advances to credit institutions	9	179,140	205,047
Loans and advances to customers	9	9,539,206	9,024,439
Derivatives	12	16,649	89
Investment assets	9	895,223	926,864
Assets covering unit-linked contracts	9	908,402	855,427
Assets related to insurance contracts	14	1,073	925
Assets related reinsurance contracts	14	375	16
Investments in associates and joint ventures	23	133	119
Property, plant and equipment	15	40,605	39,093
Intangible assets	15	40,622	27,690
Tax assets	17	14,982	19,840
Other assets	19	138,292	103,303
Demerged assets from Savings Banks Group	25		1,369,986
Total assets		13,206,415	13,780,287

Liabilities (EUR 1,000)	Note	31.12.2023	31.12.2022*
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss	10	38,096	18,107
Liabilities to credit institutions	10	620,868	450,946
Liabilities to customers	10	7,016,823	6,994,366
Derivatives	9	174,215	263,422
Debt securities issued	10	2,946,738	2,756,666
Unit-linked contract liability	10	420,446	373,032
Insurance contract liability	14	571,387	571,317
Subordinated liabilities	10	3,257	2,142
Tax liabilities	17	68,004	68,558
Provisions and other liabilities	19	208,631	133,067
Demerged liabilities from Savings Banks Group	25		969,816
Total liabilities		12,068,464	12,601,441
Equity			
Basic capital	18	50,183	25,224
Primary capital	18	31,452	31,452
Reserves	18	242,499	191,138
Retained earnings	18	812,654	929,668
Total equity attributable to equity holders of the Group		1,136,788	1,177,482
Non-controlling interests		1,162	1,365
Total equity		1,137,950	1,178,847
Total liabilities and equity		13,206,415	13,780,287

*Comparatives have been adjusted due to exit from Savings Banks Group and the transition to IFRS 17 as well as termination of the use of temporary exemption (more information in note 2).

SAVINGS BANKS GROUP'S STATEMENT OF CASH FLOWS

(EUR 1,000)	1–12/2023	1–12/2022*
Cash flows from operating activities		
Profit from the period	105,487	66,768
Adjustments for items without cash flow effect	26,938	34,757
Income taxes paid	4,027	2,775
Cash flows from operating activities before changes in assets and liabilities	136,452	104,299
Increase (-) or decrease (+) in operating assets	-195,207	-762,045
Investments, financial assets at fair value through profit or loss	124,577	4,653
Investments, at fair value through other comprehensive income	47,759	7,589
Financial assets at amortised cost	-1,997	
Investments, shares and participations	-990	
Investments, at amortized cost	-14,679	7,777
Other assets covering unit-linked contracts	-53,123	
Loans and advances to credit institutions	28,471	-107,461
Loans and advances to customers	-281,455	-667,697
Liabilities from life insurance operations		
Assets related to re-insurance contracts	-359	21,790
Other assets	-43,410	-28,697
Increase (-) or decrease (+) in operating liabilities	487,723	818,585
Liabilities to credit institutions	326,415	-31,561
Liabilities to customers	-10,853	355,808
Debt securities issued	96,005	446,897
Liabilities from unit-linked contracts	24	
Liabilities from re-insurance contracts	-149	-178
Other liabilities	76,280	47,618
Exit from Savings banks group	-128,753	38,054
Total cash flows from operating activities	300,215	198,893
Cash flows from investing activities		
Other investments	-39,624	-1,106
Investments in investment property and in property, plant and equipment and intangible assets	-24,807	-13,772
Disposals of investment property and property, plant and equipment and intangible assets	582	3,797
Exit from Savings banks group	3	-2,348
Total cash flows from investing activities	-63,847	-13,430

(EUR 1,000)	1–12/2023	1–12/2022*
Cash flows from financing activities		
Increase in subordinated liabilities	3,173	
Decrease in subordinated liabilities	-665	-6,208
Increase in basic capital	450	171
Distribution of profits	-10,140	-3,743
Other monetary increases in equity items		
Other monetary decreases in equity items	-2,370	-1,000
Exit from Savings banks group		-5,127
Total cash flows from financing activities	-9,551	-15,907
Change in cash and cash equivalents	226,818	169,556
Cash and cash equivalents at the beginning of the period	1,227,015	1,057,459
Cash and cash equivalents at the end of the period	1,453,832	1,227,015
Cash and cash equivalents comprise the following items:		
Cash	1,431,712	1,207,448
Receivables from central banks repayable on demand	22,120	19,566
Total cash and cash equivalents	1,453,832	1,227,015
Adjustments for items without cash flow effect		
Impairment losses on financial assets	9,983	15,882
Changes in fair value	21,298	1,444
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12,465	24,523
Effect of profit from associated companies	-14	-16
Adjustments from life insurance operations	-17,711	-1,588
Other adjustments	-1,405	2,817
Gain or loss on sale of investment property and property, plant and equipment and intangible assets		-10,237
Income taxes	2,323	1,933
Total Adjustments for items without cash flow effect	26,938	34,757
Interest received	454,976	192,365
Interest paid	146,113	18,026
Dividends received	4,722	6,585

* Comparative information has not been adjusted for transition to IFRS 17

SAVINGS BANKS GROUP'S STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Basic capital	Primary capital	Share premium	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 31 December 2021		32,452	126,896	17,169	941	47,022	74,323	266,351	864,871	1,188,908	1,384	1,190,292
Effect of transition to IFRS 17 and termination of the use of temporary exemption permitted by IFRS 4 1.1.2022*				-18,423				-18,423	22,813	4,390		4,390
Equity 1 January 2022		32,452	126,896	-1,254	941	47,022	74,323	247,927	887,683	1,193,298	1,384	1,194,682
Comprehensive income												
Profit for the period									67,438	67,438	-20	67,419
Other comprehensive income				-55,962	-992		1,482	-55,472	51	-55,421		-55,421
Total comprehensive income				-55,962	-992		1,482	-55,472	67,489	12,017	-20	11,997
Transactions with owners												
Distribution of profits									-3,793	-3,793		-3,793
Rights issue												
Tranfers between items	-1			4,692		-4,222	-29,026	-28,555	-145,410	-173,966		-173,966
Share of associated companies' direct equity entries												
Other changes			10,692			-2,843	-10,079	-2,229	-3,720	-5,950		-5,950
Changes that did not result in loss of control	-11	-1,000							-1,078	-2,089		-2,089
Changes that resulted in loss of control												
Changes in Savings Bank Group's structure												
Exit from Savings Banks Group	1			-4,692		5,134	29,026	29,467	128,497	157,965		157,965
Total equity 31 December 2022	25,224	31,452	137,588	-57,215	-51	45,091	65,726	191,138	929,668	1,177,482	1,365	1,178,847
Equity 1 January 2023	25,224	31,452	137,588	-57,215	-51	45,091	65,726	191,138	929,668	1,177,482	1,365	1,178,847
Comprehensive income												
Profit for the period									108,209	108,209	-9	108,199
Other comprehensive income				24,421	50		-90	24,381	-1,268	23,114		23,114
Total comprehensive income				24,421	50		-90	24,381	106,941	131,322	-9	131,313
Transactions with owners												
Distribution of profits									-9,458	-9,458		-9,458
Rights issue												
Tranfers between items			71,438				5	71,442		71,442	-193	71,249
Share of associated companies' direct equity entries												
Other changes			895	3,927		32	-102	4,753	-83,181	-78,427		-78,427
Changes that did not result in loss of control	24,960		450			-15,506		-15,056	-108	9,797		9,797
Changes that resulted in loss of control												
Changes in Savings Bank Group's structure												
Exit from Savings Banks Group*	-1					-5,134	-29,026	-34,160	-131,209	-165,370		-165,370
Total equity 31 December 2023	50,183	31,452	210,370	-28,868	-1	24,484	36,514	242,499	812,654	1,136,788	1,162	1,137,950

* Lieto Savings Bank exits from the Savings Banks Group on 28 February 2023. Further information in note 1 Description of the Savings Banks Group and the scope of the financial statements.

BASIS OF PREPARATION

NOTE 1. DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SCOPE OF THE FINANCIAL STATEMENTS

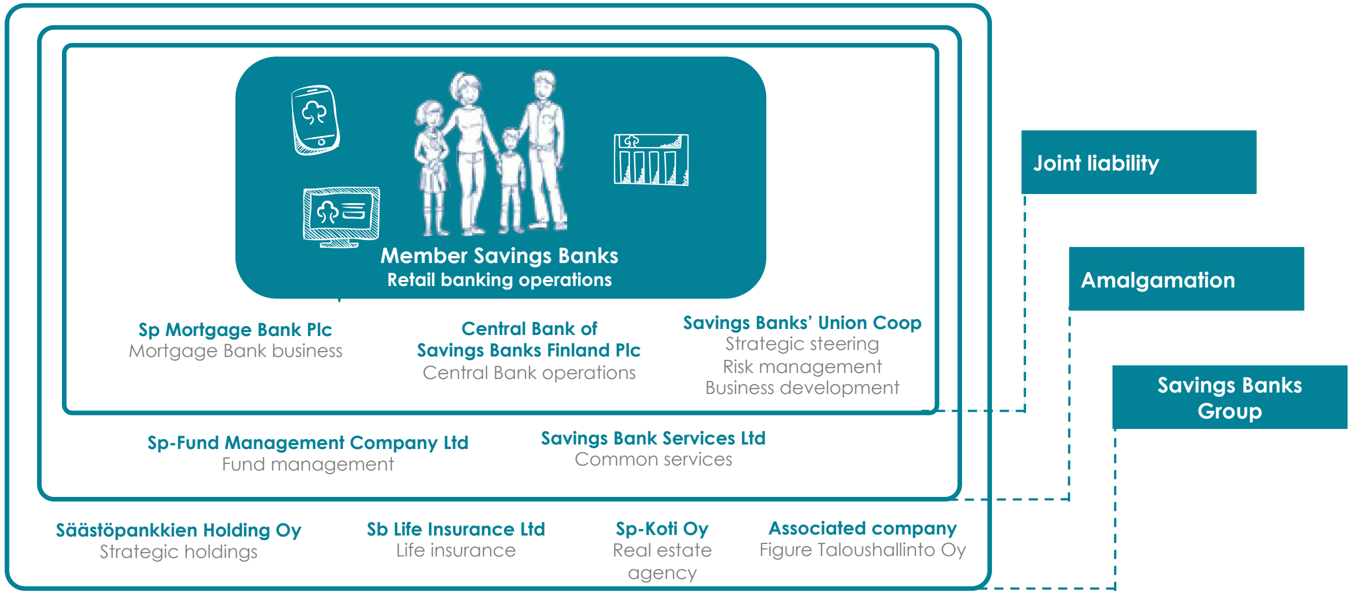
The Savings Banks Group is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by Savings Banks. Together the 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 well-being 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 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, 14 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 Group.

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. In accordance with the accounting policies confirmed by the Savings Banks Amalgamation, the result of the Lieto Savings Banks is consolidated into the Savings Banks Group until the date of the exit. 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.

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



Savings Banks' Union Coop steers the operations of the Savings Banks Group and is responsible for the internal control framework. According to the Amalgamation Act Savings Banks' Union Coop acting as the Central Institution of the Amalgamation is obliged to prepare consolidated financial statements for the Savings Banks Group. The Board of Directors of Savings Banks' Union Coop is responsible for preparing the financial statements. The financial statements are prepared for the financial group formed by the Savings Banks Group and the entities consolidated into the financial statements are listed in note 23. 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.

The Board of directors of Savings Banks' Union Coop has in their meeting 14 February 2024 approved the Savings Banks Group's consolidated financial statements for the financial year ending 31 December 2024. The consolidated financial statements will be presented to the cooperative meeting of Savings Banks' Union Coop in the meeting scheduled for 14 March 2024.

NOTE 2. ACCOUNTING POLICIES

The “Accounting policies” note describes The Savings Banks Group’s general accounting policies and consolidation principles. The key principles concerning financial instruments, life insurance items, intangible assets, property, plant and equipment and operating revenue are presented in this note and more detailed information is provided in the notes focusing on each of these items. The accounting policies for other income and balance sheet items are presented in their respective notes (Notes 6–25).

At the end of the “Accounting policies” note, there is information about the new IFRS standards and interpretations that entered into force during the past financial year as well as the new standards and interpretations to be applied in future financial years.

2.1 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 Consolidation principles”.

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

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 valuation are recognised as Net income from foreign exchange operations under Net investment income in the income statement. Exchange rate differences arising from life insurance operations are included in Insurance service result.

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, which are measured at fair value for the hedged risk.

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.

2.2 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 14 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 control. Similarly, the subsidiaries, associated companies and joint ventures which are sold during the financial year are consolidated until the control, joint 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.

Other consolidated entities and companies

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. Accounting policies are described in more detail in Note 23.

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. Joint arrangements are arrangements where two or more parties have joint control. Joint arrangements are divided into joint ventures and joint operations. The accounting policies of associated companies and joint ventures are described in more detail in Note 23.

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.

At the acquisition date, 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.

2.3 FINANCIAL INSTRUMENTS

Financial assets and liabilities

The Savings Banks Group applies the 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 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 11.

Initial recognition

A financial asset or liability is recognised on the balance sheet only when the entity 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.

Classification of financial assets and the determination of classification

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

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

Financial liabilities are, as a rule, measured at amortised cost. Derivative contracts and other investors' participations in consolidated funds are measured at fair value through profit or loss.

The classification principles and breakdown of financial assets and liabilities by measurement category are described in more detail in Note 11.

The change in the fair value of debt instruments measured at fair value through other comprehensive income is recognised adjusted for calculated tax in the fair value reserve included in other comprehensive income. The gain or loss on the transfer or sale of a financial asset is recognised through profit or loss.

Changes in the fair value of equity investments for which the Savings Banks Group has irrevocably designated that subsequent changes in their fair value will be measured through other comprehensive income are also recognised in other comprehensive income. Such a decision has been made in significant investments in partners or companies with a business relationship, for example. 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 comprehensive income. For equity instruments, gains or losses accrued in the fair value reserve are not transferred to be recognised through profit or loss at any stage.

If 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, the gross carrying amount of the financial asset is recalculated and a modification gain or loss is recognised through profit or loss.

Derecognition

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 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 through profit or loss.

Impairment

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 recognised for financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, guarantees and off-balance sheet loan commitments.

Further details on parameters and methods used in expected credit loss model are presented in Note 9.

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*.

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.

Hedging and derivatives

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 trading 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 trading income”. Interest on hedging derivatives is presented as interest income and expense depending on their nature.

Derivative trades to be counterparty-cleared in accordance with the EMIR regulation (EU 648/2012) are cleared with London Clearing House. In this model, SEB as the clearing-broker becomes the counterparty of derivatives at the end of the daily clearing process. The clearing method used is the settled-to-market (STM) practice, in which the daily payments of derivatives are offset with the central counterparty and daily either paid or a variation margin is received. In the STM practice, the daily payment is contractually defined as the final payment and part of the cash flows of the derivative contract. Thus, there is no other change in the fair value of the derivative contract on the balance sheet than the measurement difference between the Savings Banks Group and CCP. The difference is recognised in derivative assets or liabilities. Other derivatives are presented on the balance sheet using the gross principle, with positive changes in value presented as derivative assets and negative changes in value as derivative liabilities.

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 on a regular basis and always on reporting dates.

2.4 INSURANCE CONTRACTS

The Savings Banks Group has applied IFRS 17 IFRS 17 Insurance Contracts for the first time starting from 1 January 2023.

Insurance contracts or investment contracts of Sb Life Insurance, (part of Savings Banks Group) are classified as insurance contracts or investment contracts. Contracts with a significant insurance risk or where the policyholder has the right or possibility to change the contract in such a way that he is entitled to a discretionary share of the company's surplus are classified as insurance contracts. Unit-linked insurances without significant insurance risk are classified as investment contracts. In the financial statements of the Savings Banks Group in accordance with the IFRS 17 Insurance Contracts standard The IFRS 9 Financial Instruments standard applies to contracts classified as investment contracts. Reinsurance is treated as insurance contracts in accordance with IFRS 17.

The income statement shows insurance premium income and insurance service expenses separately, as well as the insurance service result formed by these. In addition, financial income and expenses from insurance contracts are presented as a separate line. With the adoption of IFRS 17, part of the personnel costs of life insurance operations and other business costs are included in the calculation of the IFRS 17 insurance liability and will be presented in the item insurance service costs in the future.

The recognition principles related to insurance contracts are presented in its entirety in Note 14.

2.5 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Savings Banks Group's property, plant and equipment includes for example properties and machinery and equipment in own use. In addition, the Savings Banks Group has investment properties that general rental revenues. The properties of the Savings Banks Group are divided into properties in own use and investment properties based on their purpose of use.

An intangible asset is an identifiable asset that has no physical substance. The Savings Banks Group's intangible assets include computer software and software licences. An intangible asset is recognised only when it is probable that economic benefits from the asset are likely to flow to the Savings Banks Group and the acquisition cost of the asset can be reliably measured.

Property, plant and equipment and intangible assets are measured at acquisition cost less depreciation and impairment. The basis of preparation of property, plant and equipment and intangible assets are presented in more detail in Note 15.

2.6 NET OPERATING INCOME

The most significant income items of the Savings Banks Group are net interest income and net fee and commission income and fee expenses. Interest on balance sheet items included in financial assets and liabilities is recognised in net interest income, regardless of the measurement category. Interest income and expenses are amortised using the effective interest method over the contractual period of the loan and receivable or the liability. The basis of preparation of net interest income is presented in more detail in Note 7.

Net fee and commission income consists of the income and expenses associated with services provided to customers, measured at the amount to which the Savings Banks Group considers itself to be entitled against the services provided. Fees and commissions are, as a rule, recognised once the service has been provided and control has passed to the customer. The basis of preparation of the Net fee and commission income and fee expenses item is presented in its entirety in Note 8.

The basis of preparation of other operating income is presented in connection with the note for each item.

2.7 ADOPTION OF NEW STANDARDS AND INTERPRETATIONS

New and amended standards applied in financial year ended

Applying IFRS 17 Insurance Contracts standard

The Savings Banks Group has applied IFRS 17 IFRS 17 Insurance Contracts for the first time starting from 1 January 2023. In the Savings Banks Group, the insurance contracts of Sb Life Insurance are within the scope of IFRS 17. The IFRS 17 standard is applied only to the IFRS financial statements of the Savings Banks Group, the financial statements of Sb Life Insurance will continue to be prepared in accordance with the national regulations governing accounting and the preparation of financial statements.

IFRS 17 sets out principles for the recognition, measurement and presentation of insurance and reinsurance contracts as well as certain investment contracts with discretionary participation features, and the notes to financial statements concerning such contracts. The purpose of the IFRS 17 standard is to harmonise the principles concerning the measurement of insurance contract liabilities and it replaces the previously applied IFRS 4 Insurance contract standard in its entirety. Under the earlier IFRS 4 Insurance Contracts standard, the measurement of insurance contract liabilities was based on national measurement whereas under IFRS 17, it is based on up-to-date estimates.

Significant changes to the Savings Banks Group's accounting policies

The most significant changes to the Savings Banks Group's accounting policies are presented below. The Savings Banks Group's new accounting policies pertaining to insurance contracts are described in their entirety in Note 14.

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 contract in such a way that the policyholder 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 the IFRS 17 Insurance Contracts standard. The IFRS 9 Financial Instruments standard is applied to contracts classified as investment contracts. Reinsurance policies are treated in accordance with IFRS 17 as insurance contracts.

Grouping and recognition of insurance contracts

Insurance contracts are divided into portfolios that are subject to similar risks and are managed together. The portfolios are further divided into loss-making, profitable and other insurance contracts on the basis of the revenue expectations on the date of initial recognition of the contracts. The Savings Banks Group determines the loss component of insurance contracts at the contract level on the basis of the estimated future cash flows arising from the performance of the contract.

The above-mentioned insurance contract groups are divided into annual cohorts based on the original date of recognition. A cohort may not contain contracts with start dates more than one year apart from each other. A single cohort forms an IFRS 17-compliant insurance contract group that is subject to recognition and measurement requirements.

The insurance contract group is recognised when the first of the following criteria is met:

– the insurance period of the insurance contract group begins;

– the first premium due from the policyholder is due; or

– the insurance contract group becomes loss-making.

Measurement of insurance contracts

Insurance contracts that do not include a direct entitlement to the contract surplus are measured in accordance with the general measurement model. Such contracts include insurance contracts issued by the Savings Banks Group in connection with loan insurance. On the initial recognition date, the insurance contract group's balance sheet value consists of the following:

– the fulfilment cash flows adjusted for the time value of money,

– a risk adjustment reflecting uncertainties concerning the timing and amount of cash flows, and

– a service margin representing the unearned profit of insurance contracts.

Service margin revenue is recognised over the validity of the insurance contract. If the service margin is negative, the loss component is recognised as an expense in the income statement at the time of initial recognition.

At the end of the reporting period, the measurement of each insurance contract group is carried out using up-to-date estimates of future cash flows and the service margin. The carrying amount of the insurance contract group at the end of the reporting period is the sum of the liabilities of the remaining insurance period and the liabilities arising from actual insurance events. The liabilities of the remaining insurance period are the present value of the cash flows related to future service at the time of reporting plus the service margin and the risk adjustment. The liabilities arising from actual insurance events includes the cash flows of outstanding insurance compensation related to the actual insurance events.

Insurance contracts with a direct entitlement to the contract surplus are measured using the variable fee model. The variable fee model is applied to the Savings Banks Group's pension and savings insurance products that include a direct entitlement to the contract surplus and have a significant insurance risk. The variable fee model differs from the general model with regard to the measurement of the service margin of insurance contracts. In the variable fee model, the service margin change on the reporting date includes a share of the change in the fair value of the underlying investments.

Reinsurance contracts taken out by the Savings Banks Group are measured in accordance with the premium allocation approach.

Determination of cash flows

The measurement of the insurance contract group takes into account all future cash flows arising from the performance of the insurance contract, provided that they are within the limits of the contract. In the determination of cash flows, all information concerning the amount, timing and uncertainty of cash flows that is available without unreasonable costs is taken into account. In addition, the estimates of cash flows must be up to date, in other words, must reflect the conditions prevailing at the time of reporting.

Determination of the discount rate

The Savings Banks Group has defined the discount rate for insurance contract liabilities as the risk-free interest rate plus a liquidity premium. The liquidity premium is calculated separately for each product group.

Presentation of insurance contracts

The income statement presents insurance premium revenue and insurance service expenses and the insurance service result, comprising of these two, as separate items. In addition, the finance income and expenses of the insurance contracts are presented as a separate line item. The current income statement presentation method based on expense types will change because, with the adoption of IFRS 17, part of personnel expenses and other operating expenses are included in the calculation of IFRS 17 insurance contract liabilities and presented under insurance service expenses.

Insurance contract group revenue is presented under insurance premium revenue, on the basis of the measurement of future cash flows, the service margin and the separate risk adjustment for non-financial risks. Insurance premium revenue is recognised for the reduction of the liabilities of the remaining insurance period due to services provided during the reporting period.

Items recognised in insurance service expenses include actual compensation and other expenses, the change in the liabilities arising from actual insurance events, insurance contract acquisition costs and the change of the loss component in the change in the liabilities of the remaining insurance period.

The finance income and expenses of the insurance contracts are items arising from financial risk and the discounting of insurance contract liabilities and the resulting change in the carrying amount of insurance contract liabilities. Under IFRS 17, the finance income and expenses of the insurance contracts can be recognised either entirely in the income statement or divided into the income statement and other comprehensive income. The Savings Banks Group presents the finance income and expenses of the insurance contracts entirely in the income statement.

The rights and obligations of insurance contracts will be netted and presented on the balance sheet as either assets or liabilities at the portfolio level.

Changes to the presentation of the income statement and balance sheet in 2023

The Savings Banks Group has changed the presentation of the income statement and balance sheet effective from 1 January 2023. The comparison figures for 2022 have been retrospectively adjusted to correspond to the Savings Banks Group's new income statement and balance sheet formulae. The most significant changes to the presentation of the income statement and balance sheet are presented below:

- In the income statement, the Savings Banks Group presents the new IFRS 17 compliant items “Insurance service result” and “Finance income and expenses of insurance contracts”. The previously presented income statement item “Net income from life insurance operations” has been eliminated.
- Going forward, net investment income from life insurance – which is recognised in net income from life insurance operations – will be presented in the item “Net investment income”.
- Fee and commission income and expenses from investment contracts classified as falling within the scope of IFRS 9 are recognised in the net item “Net fee and commission income”. The item was previously included in the item “Net income from life insurance operations”.
- In the balance sheet, the Savings Banks Group presents the new IFRS 17 compliant balance sheet items “Insurance contract assets” and “Insurance contract liabilities”. The previously presented items “Life insurance assets” and “Life insurance liabilities” have been eliminated.
- The investment assets of life insurance operations are presented in the balance sheet item “Investment assets”. The item was previously included in the item “Life insurance assets”.
- Investment contracts in life insurance operations that are measured in accordance with IFRS 9 are presented in the balance sheet item “Financial assets recognised at fair value through profit or loss”. The item was previously included in the item “Life insurance liabilities”.

Information about the transition

The Savings Banks Group has applied the retrospective approach in adopting the IFRS 17 standard as far as practically possible. When applying IFRS 17 retrospectively, the Savings Banks Group has, on the transition date of 1 January 2022, determined, recognised and measured the insurance contract groups and the cash flows associated with insurance contract acquisition as if the standard had always been applied. The income statement and balance sheet figures for 2022 have been adjusted retrospectively.

The net effect of the retrospective transition has been recognised in equity on the balance sheet on the transition date. The Savings Banks Group has applied the retrospective approach when adopting IFRS 17 with regard to insurance contracts that concern loan security and were initially recognised after 31 December 2017.

The Savings Banks Group has applied the fair value approach to insurance contracts that were in effect prior to 1 January 2018. On the transition date, the Savings Banks Group determined the contractual service margin or the loss component as the difference between the fair value of the contracts and the future cash flows arising from the performance of the contract.

At the end of the financial year 2022, life insurance liabilities calculated in accordance with IFRS 4 totalled EUR 947 million, of which insurance contract liabilities classified according to IFRS 17 amounted to EUR 575 million and investment contracts classified according to IFRS 9 amounted to EUR 373 million. Calculated in accordance with IFRS 17, liabilities classified as insurance liabilities decreased by EUR 4 million to EUR 571 million. The contractual insurance service margin (CSM) at the time of transitioning to IFRS 17 on 1 January 2022 was EUR 9 million. On 31 December 2022, it was EUR 12 million.

The Savings Banks Group has applied the temporary exemption permitted by IFRS 4 to a significant proportion of the equity instruments and fund investments related to life insurance investment operations, which has aligned the instruments' effects on profit or loss with IAS 39. The financial assets within the scope of the temporary exemption have been recognised on the balance sheet at fair value and changes in their value have been presented in the fair value reserve in other comprehensive income. The application of the temporary exemption has ended when IFRS 17 entered into force, and the measurement result recognised in the fair value reserve has been recognised in retained earnings on the transition date.

The tables below show the change in equity on the date of transition on 1 January 2022, as well as the adjusted income statements and balance sheets for the comparison periods. On 1 January 2022, life insurance liabilities calculated in accordance with IFRS 4 totalled EUR 1,081 million, of which insurance contract liabilities classified according to IFRS 17 amounted to EUR 674 million and investment contracts classified according to IFRS 9 amounted to EUR 407 million. Calculated in accordance with IFRS 17, liabilities classified as insurance liabilities decreased by EUR 7 million to EUR 667 million. The Savings Banks Group's equity on 1 January 2022 increased by a total of EUR 7 million before taxes.Ending the temporary exemption had the following effect between the fair value reserve in equity and retained earnings: EUR 18 million.

EFFECT OF IFRS 17 TRANSITION IN EQUITY 1.1.2022, SHAREHOLDERS

Equity of the Savings Banks Group

(EUR 1,000)	Basic capital	Primary capital	Reserves	Retained earnings	Total
Equity 31.12.2021	25,235	32,452	266,350	864,871	1,188,908
Effect of transition to IFRS 17				5,899	5,899
Cancellation of temporary exemption			-18,423	16,913	-1,510
Equity 1.1.2022	25,235	32,452	247,927	887,683	1,193,298

EFFECT ON OPENING BALANCE, FINANCIAL POSITION 1.1.2022

Savings Banks Group's statement of financial position

(EUR 1,000)	Publiced statement of financial position 31.12.2021	Effect of transition to IFRS 17*	Opening statement of financial position 1.1.2022
Assets			
Cash and cash equivalents*	1,017,904		1,017,904
Loans and advances to credit institutions	129,484		129,484
Loans and advances to customers	9,602,782		9,602,782
Derivatives	33,693		33,693
Investment assets	974,226	170,261	1,144,488
Assets covering unit-linked contracts		989,680	989,680
Life insurance assets	1,160,683	-1,160,683	
Investments in associates and joint ventures	102		102
Property, plant and equipment	46,222		46,222
Intangible assets	35,323		35,323
Tax assets	10,556	-1,510	9,046
Other assets	68,120	4,813	72,932
Total assets	13,079,096		13,081,657
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss	13,706		13,706
Liabilities to credit institutions	423,705		423,705
Liabilities to customers	7,682,351		7,682,351
Derivatives	15,511		15,511
Debt securities issued	2,500,165		2,500,165
Unit-linked contract liabilities		407,170	407,170
Life insurance liabilities	1,084,728	-1,084,728	
Insurance contract liabilities		670,635	670,635
Subordinated liabilities	13,427		13,427
Tax liabilities	65,760	1,475	67,235
Provisions and other liabilities	89,450	3,618	93,068
Total liabilities	11,888,804		11,886,974
Equity			
Basic capital	25,235		25,235
Primary capital	32,452		32,452
Reserves	266,350	-18,423	247,927
Retained earnings	864,871	22,813	887,683
Total equity attributable to equity holders of the Group	1,188,908		1,193,298
Non-controlling interests	1,384		1,384
Total equity	1,190,293		1,194,682
Total liabilities and equity	13,079,096		13,081,657

* Includes both the correction according to the IFRS 17 Insurance contracts standard and cancellation of the temporary exemption.

REVISED FIGURES OF COMPARISON PERIOD 2022

Savings Banks Group's statement of financial position

(EUR 1,000)	Publiced statement of financial position 31.12.2022	Effect of transition to IFRS 17*	Adjusted statement of financial position 31.12.2022
Assets			
Cash and cash equivalents*	1,207,448		1,207,448
Loans and advances to credit institutions	205,047		205,047
Loans and advances to customers	9,024,439		9,024,439
Derivatives	89		89
Investment assets	784,650	142,214	926,864
Assets covering unit-linked contracts		855,427	855,427
Life insurance assets	1,006,583	-1,006,583	
Insurance contract assets		925	925
Re-insurance contract assets		16	16
Investments in associates and joint ventures	119		119
Property, plant and equipment	39,093		39,093
Intangible assets	27,690		27,690
Tax assets	20,063	-222	19,840
Other assets	94,362	8,942	103,303
Demerged assets from Savings Banks Group	1,369,986		1,369,986
Total assets	13,779,568		13,780,287
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss	18,107		18,107
Liabilities to credit institutions	450,946		450,946
Liabilities to customers	6,994,366		6,994,366
Derivatives	263,422		263,422
Debt securities issued	2,756,666		2,756,666
Unit-linked contract liabilities		373,032	373,032
Life insurance liabilities	950,931	-950,931	
Insurance contract liabilities		571,317	571,317
Subordinated liabilities	2,142		2,142
Tax liabilities	66,454	2,104	68,558
Provisions and other liabilities	129,627	3,440	133,067
Demerged liabilities from Savings Banks Group	969,816		969,816
Total liabilities	12,602,478	-1,037	12,601,441
Equity			
Basic capital	25,224		25,224
Primary capital	31,452		31,452
Reserves	204,110	-12,972	191,138
Retained earnings	914,940	14,728	929,668
Total equity attributable to equity holders of the Group	1,175,725		1,177,482
Non-controlling interests	1,365		1,365
Total equity	1,177,090		1,178,847
Total liabilities and equity	13,779,568		13,780,287

*Includes both the correction according to the IFRS 17 Insurance contracts standard and cancellation of the temporary exemption.

INCOME STATEMENT 31.12.2022

Savings Banks Group's income statement

(EUR 1,000)	Publiced income statement 1–12/2022	Effect of transition to IFRS 17*	Adjusted income statement 1–12/2022
Interest income	204,880		204,880
Interest expense	-35,270		-35,270
Net interest income	169,610		169,610
Net fee and commission income	103,261	25,309	128,570
Net investment income	-7,174	-105,378	-112,553
Insurance premium revenue		18,068	18,068
Insurance service expenses		-17,765	-17,765
Net income from reinsurance contracts		-1,358	-1,358
Insurance sevice result		-1,056	-1,056
Net insurance finance income and expenses		75,616	75,616
Net life insurance income	18,396	-18,396	
Other operating revenue	44,966		44,966
Total operating revenue	329,059	-23,905	305,154
Personnel expenses	-92,371	5,327	-87,044
Other operating expenses	-116,217	5,327	-110,889
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-20,452		-20,452
Total operating expenses	-229,040	10,655	-218,385
Net impairment loss on financial assets	-15,882		-15,882
Associate's share of profits	16		16
Profit before tax	84,154	-13,250	70,903
Income tax expense	-17,386	2,650	-14,736
Profit, continuing operations	66,768	-10,600	56,168
Profit, Lieto Savings Banks' exit from Savings Banks Group	11,251		11,251
Profit for the period	78,019	-10,600	67,419

* Includes both the correction according to the IFRS 17 Insurance contracts standard and cancellation of the temporary exemption.

Other new and amended standards applied in financial year ended

The following new or amended standards applied in the financial year ended have no significant impact on the financial statements of the Savings Banks Group.

Disclosure of Accounting Policies – Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify the application of materiality to disclosure of accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 *Income Taxes* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

International Tax Reform* — Pillar Two Model Rules Amendments to IAS 12 *Income taxes (the temporary exception is effective immediately after its publication on 28 May 2023; the requirements concerning disclosures in financial statements are effective for financial years beginning on or after 1 January 2023)

The amendments provide a relief from deferred tax accounting due to the international tax reform of the OECD (Organization for Economic Cooperation and Development) and requires the disclosure of new notes aiming to compensate for any loss of information caused by the relief.

2.8 NEW AND AMENDED STANDARDS TO BE APPLIED IN FUTURE FINANCIAL YEARS

Savings Banks Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. 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.

* This provision has not been approved for application in the EU as of 31 December 2023.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases (effective for financial years beginning on or after 1 January 2024, early adoption is permitted)

The amendments adds a new accounting model concerning variable payments and require a seller-lessee to reassess and possibly adjust sale and leaseback transactions carried out after the adoption of IFRS 16 in 2019. The amendments are not estimated to have a significant impact on the financial statements of Savings Banks Group.

Amendments to IAS 1 Presentation of Financial Statements *: Classification of Liabilities as Current or Non-current Date; Classification of Liabilities as Current or Non-current – Deferral of Effective Date; Non-current Liabilities with Covenants (effective for financial years beginning on or after 1 January 2024, early adoption is permitted)

The purpose of the amendments is to simplify the application practice and clarify the classification of liabilities as current or non-current. The amendments clarify that covenants with which the company must comply after the reporting date do not affect a liability's classification as current or non-current at that date. Information about such covenants must be disclosed in the notes to the financial statements. The amendments also clarify that the transfer of the company's own equity instruments is considered to be the settlement of the liability. If the liability involves a conversion option, it may have an effect on its classification as current or non-current unless these conversion options have not been recognised in equity under IAS 32. The amendments are not estimated to have a significant impact on the financial statements of Savings Banks Group.

Supplier Finance Arrangements – Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures * (effective for financial years beginning on or after 1 January 2024, early adoption is permitted)

The purpose of the amendments is to improve the transparency of supplier finance arrangements and clarify their effects on financial liabilities, cash flows and the total amount of liquidity risk. The amendments require the disclosure of qualitative and quantitative information about supplier finance arrangements. The amendments are not estimated to have a significant impact on the financial statements of Savings Banks Group.

Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates * (effective for financial years beginning on or after 1 January 2025, early adoption is permitted)

The amendments require the application of a consistent approach when assessing whether a currency is exchangeable and which exchange rate to use and which notes to disclose when it is not. The amendments are not estimated to have a significant impact on the financial statements of Savings Banks Group.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures * (voluntary adoption is permitted, entry into force postponed until further notice)

The amendments eliminate the conflict between the current guidelines concerning consolidation and equity method and require the recognition of profit in full when the transferred assets meet the definition of business under IFRS 3 Business Combinations. The amendments are not estimated to have a significant impact on the financial statements of Savings Banks Group.

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 key estimates of the Savings Banks Group are related to the determination of impairment and fair value of financial assets, the measurement of the insurance contracts, the recognition of deferred tax assets from confirmed losses and the determination of the present value of pension obligations.

In the financial statements dated 3 December 2023, the most significant uncertainties influencing the management's estimates have been Russia's war of aggression in Ukraine, the resulting energy crisis in Europe, accelerating inflation and rising market interest rates. There is considerable uncertainty associated with estimating the economic impacts of the above-mentioned factors, which particularly influences the assessment of the expected credit losses on financial assets.

3.1 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 uncertainty regarding future economic development that continued during the review period has 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 and realization, 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, the number and duration of instalment-free periods that have been applied for and changes in the scope and profitability of business operations.

- Change in the credit risk of the receivable counterparty, resulting from restrictions that influence business or employment that are not included in the calculation model.

The member banks of the Savings Banks Group have assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. The member banks do not have significant direct exposures to Russian, Ukrainian or Belarussian markets. However, the changed market conditions cause indirect effects on certain sectors or customers. The member banks of the Savings Banks Group monitor closely customer sectors for which the credit risk may have increased due to the ongoing economic situation.

3.2 MEASUREMENT OF INSURANCE CONTRACTS

Judgment applied with regard to the principle for determining the discount rate

Discount curves are derived as a sum of the risk-free rate and the liquidity premium. The management has exercised judgment in its interpretation that the yield curve determined by EIOPA can be used as the risk-free component of the discount curve.

In determining the liquidity premium, the management has exercised judgment in interpreting the nature of insurance terms so that they do not include significant illiquidity factors. As a result of the interpretation, the liquidity premium has been set to zero.

Judgment related to the measurement methods used for insurance contracts and the input data for the methods

Insurance contracts are measured at the present value of expected future cash flows, with an added risk adjustment. The cash flows are modelled deterministically, excluding customer bonuses (discretionary additional benefits), which are measured using a stochastic method.

The modelling uses up-to-date assumptions about biometric factors, customer behaviour, economic variables, and operating expenses. The assumptions have been modelled using the Savings Banks Group's own and external statistical data. The accuracy of the assumptions is reviewed annually, and the assumptions are adjusted as necessary.

For determining the risk adjustment, the Savings Banks Group does not use the confidence level method but rather the "cost of capital" method.

Judgment related to the application of the VFA valuation model

The Savings Banks Group has issued savings and pension insurance policies that include investment-linked and guaranteed interest rate components, and where the policyholder has the option to freely transfer savings between these components. For these contracts, the Savings Banks Group interprets that the conditions of the VFA valuation model are met and, therefore, the Savings Banks Group applies the VFA valuation model to the groups formed from these contracts.

Judgment related to the determination of coverage units

According to the Savings Banks Group's interpretation, for risk insurance policies (e.g. loan insurance), the coverage unit can be based on the sum insured and its estimated future development. The coverage unit describes the amount of insurance coverage provided for the entire duration of the contract. Savings and pension insurance policies do not include insurance services, or the insurance service is negligible compared to the investment service. For these insurance policies, the coverage unit is based on the amount of insurance savings and its future development.

Judgment related to the determination of investment components

The Savings Banks Group exercises judgment when determining the amount of the investment component in savings and pension insurance policies. According to the Savings Banks Group's interpretation, in insurance policies where the death benefit exceeds 100 per cent, the investment component is determined to correspond to the amount of insurance savings. For insurance policies where the death benefit is less than 100 per cent, the investment component is the amount of the death benefit.

Judgment related to the models used in the IFRS 17 transition

In the transition, the Savings Banks Group uses a retrospective calculation model for insurance policies issued after the year 2017. For insurance policies that entered into effect earlier, the fair value approach is used in the transition. The fair value approach has been chosen because there is insufficient retrospective data available for the older policies.

When applying the fair value approach, the service margin is defined as the difference between the fair value and the present value of cash flows arising from fulfilling the contract.

The fair value determined for the insurance contract groups takes into account the discounted present value of the contract group's future cash flows and the risk margin required by the market participant when selling the portfolio. The management has exercised judgment in determining the valuation parameters used, including cash flows, the discount rate and the risk margin.

3.3 DETERMINING FAIR VALUE

When determining fair values, the management must consider whether there is price information available in the market that can be considered a reliable indication of the financial instrument's fair value. The assessments are based on a view of the functioning of the market and the trading activity for the financial instrument in question.

On the financial statements date, the Savings Banks Group's financial instruments measured at fair value consisted mainly of listed financial assets for which a public price quotation is available or financial assets for which fair value measurement is based on verifiable market information, such as interest rate data. In the view of the management of the Savings Bank Group, the conditions regarding the functioning of the market and the trading activity of the individual financial instruments are met and, consequently, the price information obtained from the market can be considered a reliable indication of the fair value of the instruments.

The management's judgement is required in circumstances where fair value price information is not available in the market and the fair value of a financial instrument needs to be determined using a valuation technique. In such circumstances, the valuation techniques and inputs used to measure fair values are based on the management's assessment of the market practices used to measure the value of the instruments in question. The Savings Banks Group only has a small number of financial instruments whose fair value is measured using valuation techniques, and there were no substantial changes in their amount during the past financial year.

3.4 IMPAIRMENTS 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.

3.5 THE PRESENT VALUE OF THE 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 the service and extra fees collected from the members.

Supervisory Board

The 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 13 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 Ab). 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 function of the Board of Supervisors is to oversee the administration of the central institution, which is the responsibility of the Board of Directors and CEO, and to ensure that the operation of the central institution is conducted competently and diligently in accordance with the Cooperatives Act and for the benefit of the central institution and the Savings Banks Group. Among other things, the Board of Supervisors approves Savings Banks Group's operating principles, strategy, solvency management principles and other general guiding principles based on the Board of Directors' proposal.

The Board of Supervisors has approved an agenda that specifies the duties and meeting practices of the Board of Supervisors.

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 rules of Savings Banks' Union Coop, the Board of Directors consists of six to nine members. The annual general meeting of the cooperative 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 primarily of the professional directors or Board members of the Savings Banks. The composition of the Board of Directors ensures the representation of Swedish speaking banks and banks of different sizes, taking into account the responsibility of the member banks of the amalgamation and the willingness and ability of members to promote the competitiveness of the individual banks as well as the entire amalgamation.

The Board of Directors must comply with the regulation set by the Credit Institutions Directive, the Act on Credit Institutions, the European Banking Authority and the Finnish Financial Supervisory Authority regarding fit and proper assessments and independence requirements as far as they are applicable to the amalgamation's Central Institution. Each member of the Board of Directors must present enough accurate information to the Board so that their suitability and independence can be assessed and notify the Board of any changes in such information. Both genders must be represented on the Board of Directors.

Members of the Board of Directors are expected to only participate in Boards of other entities to such an extent that it does not, as evaluated by the Board of Directors, prevent the member from spending enough time and focusing themselves to the matters of the central institution to a sufficient degree. The memberships of Boards of Directors in entities belonging to the Savings Banks Group are considered as one membership in this respect.

The Board of Directors has approved diversity principles aimed at ensuring that the Board has, in order to perform its duties, sufficient and versatile competence and experience of the credit institution business and the risks involved. The composition of the Board and the selection of new member candidates are planned with a long-term view to ensure that the goals set out in the applicable legislation and directives are achieved and that the necessary competencies are represented in the Board of Directors. The Nomination Committee assesses the size, composition and management of duties of the Board regularly and at least annually and may give recommendations concerning changes. The Board of Directors assesses the competence, skills and experience of Board members and the entire Board regularly and at least annually by means of self-assessment. In 2021, approximately 22% of the Board members were women.

In 2023, the members of the Board of Directors were as follows: Pirkko Ahonen (Chairperson), Jari Oivo (Vice Chairperson), Tuula Heikkinen, Eero Laesterä, Simo Leisti, Veli-Pekka Mattila, Heikki Paasonen, Ulf Sjöblom and Hannu Syvänen.

The members of the Board are CEOs or Board members of Savings Banks, with the exception of Tuula Heikkinen, Eero Laesterä and Simo Leisti, who are Board members independent of Savings Banks.

The Board of Directors is tasked with leading the operations of the Central Institution in accordance with the Cooperatives Act, the Act on the Amalgamation of Deposit Banks and the governance policies of the Central Institution. The Board of Directors is responsible for the management of the amalgamation, formulating the strategy of the Savings Banks Group and developing intra-group collaboration.

The Board of Directors has approved an agenda that specifies the duties and meeting practices of the Board of Directors.

Committees

The Central Institution has a Nomination Committee, a Remuneration Committee, an Audit Committee and a Risk Committee, for which the Board of Directors has approved rules of procedure.

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

The Remuneration Committee prepares documentation on remuneration principles at the amalgamation level and a remuneration policy for approval by the boards of directors of Savings Banks and the product and service companies. The Remuneration Committee also prepares a salary recommendation concerning the chief executives of the Savings Banks Amalgamation's member credit institutions and other entities.

The Audit Committee assists the Board of Directors of Savings Banks' Union Coop in ensuring that Savings Banks' Union Coop and the Savings Banks Group apply comprehensive and appropriately organised accounting, accounting practices followed in the financial statements and financial reporting. The Committee also supports the Board of Directors in ensuring that the Savings Banks Group employs adequate and appropriately organised internal controls, internal audit systems and audit procedures. Furthermore, it ensures that the operations and internal audits of the company are organised as required by law, regulations and good management and governance practices and supervises the internal audit operations.

The Risk Committee assists the Board of Directors of Savings Banks' Union Coop in matters concerning risk strategies and taking of risk and monitoring that the Savings Banks Group complies with the risk strategies as approved by the Board of Directors of Savings Banks' Union Coop. The Risk Committee monitors and ensures the efficiency and adequacy of the capital adequacy management process within the Savings Banks Group and evaluates the adequacy of the policies, controls and processes related to these risks. The Committee also assists the Remuneration Committee in creating healthy compensation systems.

In addition, the Board of Directors has appointed an Asset and Liability Committee to report, assist and guide the operations included in the area of responsibilities of the Risk Committee and to plan and coordinate the refinancing of the Savings Banks Group in cooperation with the Treasury of the Central Bank of Savings Banks.

Chief Executive Officer

The Board of Directors elects the Central Institution's Managing Director and their deputy. The CEO is charged with the day-to-day governance of the central institution in accordance with the stipulations of the Cooperatives Act, implementation of the Savings Banks Group strategy in accordance with the directions and orders of the Board of Directors, preparation of matters to be proposed to the Board, and assisting the Board in preparing matters for presentation to the Board of Supervisors and the cooperative meeting.

The CEO of the Central Institution was Karri Alameri. Kai Koskela served as the deputy CEO.

Audit

The Central Institution has one auditor, which must be a firm of authorised public accountants approved by the Finland Chamber of Commerce. The auditor also audits the consolidated financial statement as referred to in the Act on the Amalgamation of Deposit Banks.

The auditor is appointed by the General Meeting of the Savings Banks' Union Coop. The auditor's term of office ends at the close of the next ordinary General Meeting following their selection.

KPMG Oy Ab, a firm of authorised public accountants, is the auditor of the Central Institution of the Savings Banks Group. The chief auditor designated by the firm is Mikko Kylliäinen, Authorised Public Accountant.

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 2023, the Savings Banks' Union Coop members were:

Aito Säästöpankki Oy

Avain Säästöpankki

Ekenäs Sparbank Ab

Helmi Säästöpankki Oy

Kvevlax Sparbank Ab

Lammin Säästöpankki

Länsi-Uudenmaan Säästöpankki Oy

Myrskylän Säästöpankki

Nooa Säästöpankki Oy

Närpes Sparbank Ab

Someron Säästöpankki

Säästöpankki Kalanti-Pyhäranta

Säästöpankki Optia

Säästöpankki Sinetti

Central Bank of Savings Banks 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 organisations 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 effective 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 jeopardy as regards the members' combined solvency or liquidity.

The Amalgamation must comply with the requirements regarding minimum consolidated own funds, as laid down in the Act on Credit Institutions. At 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 and data as well as company and customer assets, and
- Appropriate and adequate manual and automated information systems in support of business operations.

Internal control is part of operational activities and is the responsibility of all functions and organisational levels. Internal control is part of the daily activities. Crucial for a functional 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 Board of Directors of the central institution approves the principles pertaining to corporate governance and internal control. The Central Institution's Board of Directors is primarily responsible for organising, implementing and securing the functioning of the internal control system.

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:

- Independent Risk Control
- Compliance
- Internal audit

The Central Institution's Independent 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 Boards 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

Tasks and control measures have been defined for the management of the entities belonging to the Amalgamation, with which internal control is implemented. 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, performance 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, obligations provided for in Section 23 or under the authorisation of the Financial Supervision Authority. The exemption shall be valid for a maximum of three years at a time and may be revoked by the Central Institution if, during its term, the member credit institution fails to comply with its obligations set out above.

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 withdrawal, 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 Institution's guidelines issued by virtue of Section 17 of the Amalgamation Act in a manner that puts the liquidity 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 organisations 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.

Remuneration systems refer to the decisions, contracts, policies and procedures that are followed in the remuneration of the management and personnel. The remuneration system includes both the remuneration 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 financial performance, incentivisation, employee commitment and the availability of new competent personnel. 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 is adapted to the interests of the customers and includes measures to avoid conflicts of interest. The remuneration system and all related conditions are gender-neutral.

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 remuneration system ensures that it is consistent with the consideration of sustainability risks. Sustainability risk refers to an event or situation related to environment, social responsibility or governance, which, if realised, may cause a material, negative effect on the value of the investment. Consideration of sustainability risks in remuneration means, among other things, that remuneration cannot be inconsistent with responsible investment, or investment and insurance advice.

The Central Institution's Board of Directors 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 a minimum of four members: three members chosen by the Central Institution's Supervisory Board from among its members and one member who is a member of the Board of Directors of the Central Institution and is independent of the Savings Banks. The Committee may also use various experts who may be invited to participate in committee meetings. The composition 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 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 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 variable part of 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. In this way, the objectivity or independence of the function is not jeopardised and conflicts of interest are not created.

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. Up-to-date information about significant risk-takers is reported by each member institution to the Sympa HR information system. Each member institution is responsible for the accuracy and timeliness of its own information.

The salaries, wages and remuneration for the financial year are shown in note 13 to the financial statements ("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 14 Savings Banks and their central institution, the Savings Banks' Union Coop, as well as their subsidiaries and associated companies. The Savings Banks Group does not constitute a financial and insurance conglomerate as defined in the Act on the Supervision of Financial and Insurance Conglomerates.

The member organisations of the Savings Banks Amalgamation constitute 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, 14 independent, local and regional Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sp-Fund Management Company Ltd, along with companies belonging to the consolidation groups of the aforementioned entities, of which Savings Bank Services Ltd is a wholly-owned subsidiary of 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 at both the Savings Banks Amalgamation level and the member credit institution level. 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 of Savings Banks is complemented by the centralised products and services produced by the product companies belonging to the Savings Banks Group. The most significant product companies of the Savings Banks Group are the Central Bank of Savings Banks, Sp Mortgage Bank Plc, Sb 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 and the regulations and guidelines of the Finnish Financial Supervisory Authority (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.

Membership of the Savings Banks Amalgamation includes responsibility for the operations of the Savings Banks Amalgamation and its member institutions. This responsibility means that each of the member institutions in their decision-making takes into account the effects of their actions on their own organisation 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 of the Savings Banks Amalgamation's risk management is to identify the threats and opportunities affecting the implementation of the Savings Banks Amalgamation's strategy.

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

The Savings Banks Amalgamation has reliable corporate governance ensuring effective risk management as well as an 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 corporate governance and internal control are described in more detail in the note to the financial statements concerning corporate governance policies.

The Savings Banks Group's operations include retail banking, central banking, mortgage banking, investment and life insurance operations as well as a real estate agency. The most significant risks affecting the banking segment are credit, interest rate and liquidity risks. The life insurance business is affected by 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 is defined as the identification, assessment, quantification, limitation and monitoring of risks caused by business operations and closely related risks. The purpose of risk management is to minimise the likelihood of unforeseeable losses or reputational risk in order to ensure the implementation of the Group's strategy.

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

The Central Institution is responsible for 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 organisations guidelines for 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 organisations 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 relationships. The Central Institution's Board of Directors approves the principles for the internal control framework. The risk management strategies are based on the objectives and business strategy, risk management instructions and guidelines and authorisation 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 organisations 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, the liquidity and capital adequacy of the Savings Banks Amalgamation are also 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 realisation of the risk stategy is monitored through monitoring and reporting of risk limits and monitoring thresholds, carried out independently of 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 established 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 approved by the Board of Directors of the Central Institution. The Risk Committee monitors and ensures the effectiveness 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. The Risk Committee meets monthly.

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

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

– Independent Risk Control

– Compliance function

– 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 function assists the Board of Directors and senior management of the Savings Banks Amalgamation in organising an adequate risk management framework and monitoring the functionality and effectiveness of the risk management framework.

The Compliance unit ensures that the Savings Banks Amalgamation complies with the applicable legislation and the regulations and guidelines issued by the authorities. The Compliance unit is also responsible for monitoring that the Savings Banks Amalgamation complies with internal guidelines, the ethical guidelines issued to the personnel and other guidelines applied within the financial markets.

The internal audit of the Central Institution verifies through its independent activity that the Board of Directors of the Central Institution and its Audit Committee have access to a correct and comprehensive view of the profitability, efficiency, state of internal control and various operational risks of the Savings Banks Group and the Savings Banks Amalgamation. The chart below illustrates the risk management organisation of the Central Institution.

Chart: Risk management governance of the Central Institution

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

The Savings Banks Amalgamation's risk control function maintains and develops methods for managing risks within the Central Institution. 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 follow-up reporting.

The Savings Banks Amalgamation has prepared risk strategies and risk limits by risk area. The strategies specific to risk areas are complemented by operational guidelines and instructions issued by the Board of Directors of the Central Institution. The strategies specific to risk areas cover risk identification, measurement and assessment as well as the mitigation, monitoring and reporting of risks.

The Board of Directors of the Central Institution is regularly provided with information on various risks and their levels. The Board of Directors also approves authorisations and frameworks for the desired level of risk-taking by specifying the permitted risk thresholds for different types of risks at the amalgamation level.

Pillar III disclosure principles

The Savings Banks Amalgamation's Pillar III disclosure principles have been established in accordance with the applicable legislation and regulations issued by the authorities, 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 on the business and various risk areas, which are based on the 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 broad Pillar III report in accordance with part eight of the Capital Regulation is published once a year and the narrower

Pillar III report every six months. However, the Savings Banks Amalgamation assesses the need for more frequent publication if the market conditions, financial performance or change in the risk position require it.

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 Amalgamation's operations and with all the risks arising from its business operations and operating environment. To achieve this objective, the Savings Banks Amalgamation identifies and assesses the risks associated with its business operations and ensures that its risk-bearing capacity is adequate when compared to the sum of all risks. The internal capital requirements specified through the capital adequacy management are based on the capital requirements under Pillar I and risks outside Pillar I, such as the interest rate risk of the banking book, the market risk of the investment portfolio and business risk. In the internal assessment process, the Savings Banks Amalgamation estimates the amount of capital needed to cover any unforeseen losses resulting from risks outside of Pillar I.

The Board of Directors of the Central Institution has overall 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 capital adequacy, liquidity and customer risks of the entities belonging to the Savings Banks Amalgamation are monitored on a consolidated basis at the Amalgamation level.

The Board of Directors of the Central Institution has set a threshold for the capital ratio that is monitored on a quarterly basis. The long-term minimum requirement for CET1 capital is 17%.

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 various exceptionally serious but possible situations may affect profitability, capital adequacy and the adequacy of own funds. Stress tests are designed to identify the key risks to the Savings Banks Amalgamation and assess how vulnerable its structure is to the realisation of the risks in question. 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 drawn up in order to be prepared for unforeseeable events that may jeopardise 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, which are monitored and controlled on a quarterly basis. The capital continuity plan describes the measures that the executive management and the Board can take if the threshold set for the solvency ratio is breached.

Pillar I capital requirement

The standard method is used to calculate the capital requirement to the credit and counterparty risk of the Savings Banks Amalgamation and the capital requirement to the operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over 2% of the aggregate amount of own funds. The Savings Banks Amalgamation does not have a trading book and the amalgamation's business does not involve taking commodity risk. The majority of the capital requirement of the Savings Banks Amalgamation arises from the capital requirement for credit risk and counterparty risk, for which the largest categories of liabilities are exposures secured by mortgages on immovable properties, corporate exposures and retail exposures.

Own funds and capital ratio

At the end of 2023, the Savings Banks Amalgamation had a strong capital adequacy, and own funds consisted almost entirely of CET1 capital. Total own funds were EUR 1,034.4 (1,090.5) million, of which CET1 capital accounted for EUR 1,031.4 (1,090.5) million. The Savings Banks Amalgamation does not have additional Tier 1 capital. Tier 2 (T2) capital amounted to EUR 3.0 (0.03) million, consisting of debentures in the financial year. Risk-weighted assets amounted to EUR 5,302.2 (5,837.3) million, a decrease of 9.2% compared to the end of the previous year. The capital ratio of the Savings Banks Amalgamation was 19.5% (18.7%) and the CET1 capital ratio was 19.5% (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, and the increased value of investment portfolio items measured through comprehensive income.

The capital requirement of the Savings Banks Amalgamation was EUR 638.8 (702.0) million, which corresponds to 12.0% of the total amount 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.

Pillar 1 capital requirement (EUR 1,000)	31.12.2023	31.12.2022
Exposures to central governments or central banks	27,922	
Exposures to regional governments or local authorities	80	62
Exposures to public sector and public sector entities	31	14
Exposures to multilateral development banks	0	
Exposures to international organisations	0	
Exposures to institutions	3,820	4,136
Exposures to corporates	90,694	108,585
Retail exposures	60,341	72,110
Exposures secured by mortages on immovable propert	181,388	193,413
Exposures in default	13,403	9,507
Exposures associated with particularly high risk	0	
Exposures in the form of covered bonds	169	186
Items representing securatisation positions	0	
Exposures to institutions and corporates with a short-term credit assesment	0	
Exposures in the form of units of shares in collective investment undertakings (CIUs)	3,209	10,788
Equity exposures	6,910	9,464
Other items	11,359	10,768
Capital requirements for credit and counterparty credit	371,431	419,032
Capital requirements for credit value adjustment (CVA)	2,980	1,849
Capital requirements for market risk		
Capital requirements for operational risk	49,763	46,099
Total capital requirement	424,174	466,980

CAPITAL ADEQUACY'S MAIN ITEMS

Own Funds (EUR 1,000)	31.12.2023	31.12.2022
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,089,412	1,138,741
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-55,909	-48,237
Common Equity Tier 1 (CET1) capital	1,031,404	1,090,504
Tier 1 capital (T1 = CET1 + AT1)	1,031,404	1,090,504
Tier 2 (T2) capital before regulatory adjustments	3,015	28
Tier 2 (T2) capital	3,015	28
Total capital (TC = T1 + T2)	1,034,419	1,090,533
Risk weighted assets	5,302,169	5,837,252
of which: credit and counterparty risk	4,642,885	5,237,903
of which: credit valuation adjustment (CVA)	37,250	23,115
of which: market risk		
of which: operational risk	622,034	576,235
Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.5%	18.7%
Tier 1 (as a percentage of total risk exposure amount)	19.5%	18.7%
Total capital (as a percentage of total risk exposure amount)	19.5%	18.7%
Capital requirement		
Total capital	1,034,419	1,090,533
Capital requirement total*	638,827	702,048
of which: Pillar 2 additional capital requirement	79,533	87,559
Capital buffer	395,592	388,485

* 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 1.5% Pillar 2 requirement set by the Financial Supervisory Authority and the country-specific countercyclical capital requirements of foreign exposures.

The Pillar II capital requirement imposed by the Financial Supervisory Authority on the Savings Banks Amalgamation is 1.5% (1.5%). At least three quarters of the Pillar II capital requirement must be Tier 1 capital, of which at least three quarters must be CET1 capital.

COMBINED CAPITAL REQUIREMENT, %

31.12.2023	Minimum requirement	Pillar 2 (SREP)-requirement	Capital conservation buffer	Countercyclical capital buffer	Combined capital requirement
CET1	4.50	0.84	2.50	0.05	7.89
AT1	1.50	0.28			1.78
T2	2.00	0.38			2.38
Total	8.00	1.50	2.50	0.05	12.05

In March 2023, the Financial Supervisory Authority decided to set a systemic risk buffer requirement of 1.0% for the Savings Banks Amalgamation. The decision will enter into effect on 1 April 2024.

In 2023, the Financial Supervisory Authority did not impose a countercyclical capital buffer requirement, which may range from 0 to 2.5% of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

The Financial Supervisory Authority has granted 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% 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 Finnish Financial Supervisory Authority has granted Savings Banks' Union Coop, which acts as the Central Institution of the Savings Banks Amalgamation, permission pursuant to the Act on the Amalgamation of Deposit Banks to decide that its member credit institutions will not be subject to the requirements stipulated by Section 6 of the EU Capital Requirements Regulation (EU 575/2013) and other EU statutes issued on the basis of the Regulation regarding the liquidity of credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim.

The amendments to the EU's Capital Requirements Regulation (CRR3), which will implement the final Basel III regulation in the EU, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation. The amendments are scheduled to enter into force on 1 January 2025.

LEVERAGE RATIO

The leverage ratio of the Savings Banks Amalgamation was 8.3% (8.3%), clearly exceeding the binding 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities.

LEVERAGE RATIO

(EUR 1,000)	31.12.2023	31.12.2022
Tier 1 Capital	1,031,404	1,090,504
Total leverage ratio exposures	12,376,045	13,194,516
Leverage ratio	8.3%	8.3%

The 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

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally effective from 1 January 2015 (Act on the Resolution of Credit Institutions and Investment Firms). To implement the Resolution Act, the Financial Stability Authority was established in Finland (Act on the Financial Stability Authority, 1995/2014). In May 2023, the Financial Stability Authority decided to set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement pursuant to the previous decision is valid until 31 December 2023. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

The MREL requirement is by nature a Pillar 2 type minimum requirement that must be met continuously. According to the decision of the Financial Stability Authority, the 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, until 31 December 2023, and effective from 1 January 2024, the MREL requirement is 20.53% of the total risk exposure amount or 7.74% of the total exposures, whichever is higher.

The MREL requirement applied to Sp Mortgage Bank Plc is 14.4% of the total risk exposure amount or 5.1% of the total exposures, whichever is higher, until 31 December 2023, and effective from 1 January 2024, it is 15.72% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher.

In addition to the requirement calculated on the basis of overall risk, the institution-specific capital buffer requirement must be met on an ongoing basis.

BANKING SEGMENT

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

Credit risk is defined as a counterparty being unlikely to meet its contractual obligations.

The largest source of credit risk is lending, but credit risk (counterparty risk) may also arise 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.

In the Savings Banks Group, the key customer groups for the Banking segment are retail customers, corporate customers (including housing corporations), agricultural entrepreneurs and other small enterprises. A majority of the Banking segment's funding is granted as loans to the customers of Savings Banks.

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 guidelines and by setting risk limits and other thresholds. The Central Institution's risk monitoring 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 maintaining and updating the approved credit risk strategy in cooperation with the Risk Committee established 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, guidelines for the recognition and management of problem customers, collection guidelines, guidelines for collateral price follow-up for real estate and commercial estate and general credit guidelines that also cover mortgage credit banking.

The objective of credit risk management is to restrict the effect of the risks arising from the exposures on the profitability and capital adequacy at an acceptable level. The Board of Directors of the Central Institution 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 the portfolio at the Savings Banks Amalgamation level.

The business strategies and 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 lending by customer groups, industries and credit ratings. The member institutions mainly grant credit within their operational areas, ensuring one of the essential features for the lending of the Savings Banks: local and comprehensive knowledge of the customers.

In Savings Banks, the Boards of Directors of the banks have delegated credit authorisations to the bank's management/management team/credit committee and other designated employees. 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 authorisation. The credit decisions are based on the customers' creditworthiness, ability to pay and other criteria, for example regarding acceptable collateral, applied to credit decisions. The loans are mainly granted with acceptable collateral. Collateral is valued at fair value conservatively and the fair value of collateral is regularly monitored using both statistical information and the bank's comprehensive knowledge about its operating area. The Board of Directors approves the instructions and guidelines for the valuation of different collateral types and their collateral value applied in lending. The collateral values are conservatively defined maximum amounts for each collateral type and the evaluation of the fair value of the collateral is always carried out on a case-by-case basis.

Credit risk is assessed and measured by monitoring payment delays, expected credit losses, forborne exposures, 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, forborne 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) Exposure group	31.12.2023 Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable propert	6,683,403			6,683,403
Retail exposures	2,116,165	670,437	36,243	1,335
Exposures to corporates	1,555,855	170,030	11,291	
Exposures to institutions	219,714			
Saamiset valtioilta ja keskuspankeilta	1,745,980			
Exposures in the form of units or shares collective investment undertakings (CIUs)	44,035			
Exposures in default	203,360	11,150	2,462	87
Other exposure groups in total	245,117		5	
Total	12,813,629	851,617	50,000	6,684,825

(EUR 1,000) Exposure group	31.12.2022 Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable propert	7,167,399			7,167,399
Retail exposures	2,370,819	715,200	51,330	973
Exposures to corporates	1,848,839	162,599	15,113	
Exposures to institutions	247,961			
Saamiset valtioilta ja keskuspankeilta	1,479,641			
Exposures in the form of units or shares collective investment undertakings (CIUs)	112,525			
Exposures in default	157,067	8,194	1,112	7
Other exposure groups in total	281,212		9	
Total	13,665,463	885,993	67,564	7,168,379

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 30–89 days and the customer being a potential problem customer. The Savings Banks Amalgamation's delayed receivables remained at a moderate level of 0.6% (0.5%) of the credit portfolio in 2023.

A loan that meets at least one of the following criteria is classified as a non-performing receivable: the loan is classified as being in default, the loan is in ECL stage 3 or the loan has a non-performing forborne exposure. The Amalgamation's non-performing receivables amounted to 2.3% (2.1%) of the credit portfolio at the end of 2023.

The number of non-performing receivables increased in 2023 but remains at a moderate level. Receivables whose terms have been renegotiated due to the customer's deteriorated ability to pay are reported as forborne exposures. In certain circumstances, when a debtor experiences financial difficulties, 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. Impairment and expected credit losses are described in the accounting policies section of the financial statements and in note 16 "Impairment".

Payment delays and non-performing loans (EUR 1,000)	31.12.2023	Share (%)	31.12.2022	Share (%)
Payment delays, over 30 days	144,619	1.5%	142,577	1.4%
of which: 30–89 days	52,323	0.6%	52,655	0.5%
of which: 90 days or over	92,296	1.0%	89,922	0.9%
Non-performing receivables	216,711	2.3%	213,441	2.1%
Forberance in total	123,081	1.3%	136,302	1.3%

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

Credit portfolio

The loan portfolio of the Banking segment was EUR 9,602 (10,356) million at the end of 2023, representing a decrease of -7.3% compared to the end of 2022. Liedon Säästöpankki's withdrawal from the Group was a factor in the decrease. Of the lending included on the balance sheet, 67.1% (67.7%) was to private customers, 16.2% (15.3%) to corporate customers, 8.9% (9.1%) to housing corporations and 7.8% (7.9%) to agricultural entrepreneurs and other customers.

BREAKDOWN OF LOANS BY CUSTOMER GROUPS*

Customer group (EUR 1,000)	31.12.2023	31.12.2022	change (%)
Retail customers	6,439,965	7,013,333	-8.2%
Corporate customers	1,555,653	1,583,424	-1.8%
Housing associations	856,480	944,437	-9.3%
Agricultural and other customers	749,554	814,936	-8.0%
Total	9,601,652	10,356,130	-7.3%

* The figures includes both ongoing operations and demerged operations from Savings Banks Group.

Mortgage lending totalled EUR 5,630.9 (6,117.6) million at the end of 2023. The mortgage loan portfolio decreased by -8.0% (3.8%) during the year. Liedon Säästöpankki's withdrawal from the Group was a factor in the decrease.

Lending to retail customers is mainly granted against residential collateral and, where necessary, other collateral types are also used.

Lending to retail customers is operated via the balance sheets of the Savings Banks and the Sp Mortgage Bank excluding the credit cards and unsecured consumer credits operated by the Central Bank of Savings Banks.

The credit portfolio mainly consists of well-collateralised contracts and a large part of the portfolio is significantly overcollateralised. Lending to retail customers is mainly granted against residential collateral and, where necessary, other types of fixed property can be used.

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

*Customergroup (EUR 1,000)	Stage 1		Stage 2		Stage 3		Total	
	Exposure	Collateral shortfall, (%)	Exposure	Collateral shortfall, (%)	Exposure	Collateral shortfall, (%)	Exposure	Collateral shortfall, (%)
Retail customers	5,656,683	7.08%	658,052	2.91%	125,231	14.03%	6,439,965	6.79%
Corporate customers	1,222,365	11.01%	278,102	8.33%	55,186	19.14%	1,555,653	10.82%
Housing associations	596,601	2.10%	257,053	0.38%	2,826	8.21%	856,480	1.60%
Other	643,076	21.79%	74,819	16.17%	31,659	36.96%	749,554	21.87%
Total	8,118,725	8.47%	1,268,025	4.37%	214,902	18.64%	9,601,652	8.16%

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

Retail portfolio

The creditworthiness 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 risk-based pricing.

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

The credit ratings of the retail customers are mainly good. A majority of the liabilities still fall into the better risk categories (1–4).

RETAIL EXPOSURES BY RATING DISTRIBUTION*

Description (EUR 1,000)	31.12.2023				% of portfolio	
	Stage 1	Stage 2	Stage 3	Total	31.12.2023	31.12.2022
1 Excellent	774,411	1,682	0	776,092	12.1%	12.2%
2 Good	1,599,584	3,528	0	1,603,111	24.9%	25.6%
3 Good	1,957,424	26,768	0	1,984,192	30.8%	30.6%
4 Average	688,755	39,847	0	728,602	11.3%	11.0%
5 Average	281,478	41,263	0	322,741	5.0%	4.7%
6 Weak	185,128	105,351	0	290,479	4.5%	4.5%
7 Past due but not impaired	80,514	83,706	0	164,219	2.6%	2.5%
8 Past due but not impaired	44,241	137,286	0	181,528	2.8%	2.7%
9 Past due but not impaired	45,148	218,621	130	263,900	4.1%	4.6%
D Non-performing	0	0	125,101	125,101	1.9%	1.4%
Total	5,656,683	658,052	125,231	6,439,965	100.0%	100.0%

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

Corporate portfolio

In corporate lending, the Savings Banks target micro and small businesses, self-employed entrepreneurs and forestry and agricultural customers as well as public sector operators that are mainly located within the operating area of each Savings Bank.

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

For corporate customers, 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 retail exposures. Corporate customers include limited liability companies, joint-stock companies and limited partnerships, associations and public entities.

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

The distribution of exposures by risk categories has remained at the previous year's level.

It should be noted that the content of the corporate portfolio shown in the table differs from what it was in the modelling phase.

CORPORATE EXPOSURES BY RATING DISTRIBUTION*

	31.12.2023				% of portfolio	
Description (EUR 1,000)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**31.12.2023**	**31.12.2022**
1 Excellent	136,993	3,703	0	140,696	4.5%	4.9%
2 Good	174,039	1,095	0	175,133	5.5%	5.3%
3 Good	287,534	12,471	0	300,005	9.5%	9.0%
4 Average	716,919	31,264	0	748,183	23.7%	27.5%
5 Average	562,684	69,586	0	632,270	20.0%	19.9%
6 Weak	373,564	153,874	1,249	528,687	16.7%	16.6%
7 Past due but not impaired	196,763	233,389	0	430,152	13.6%	11.6%
8 Past due but not impaired	9,644	94,420	0	104,063	3.3%	2.6%
9 Past due but not impaired	3,903	10,172	0	14,076	0.4%	0.5%
D Non-performing	0	0	88,422	88,422	2.8%	2.2%
Total	2,462,042	609,973	89,671	3,161,687	100.0%	100.0%

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

Concentration risks

Credit risk concentrations may arise when the loan portfolio contains large amounts of loans and other exposures to the following, for example:

- a single counterparty
- groups consisting of single counterparties and their interest groups
- certain industries
- against certain collateral
- with identical maturity
- the 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 specified in the Act on Credit Institutions or other legislation, or the regulations issued 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 at the Amalgamation level and at the member credit institution level. The Savings Banks Group does not have significant industry-specific risk concentrations or customers whose liabilities exceed the limit of 10% of the Group's own funds set out by the EU Capital Requirements Regulation (large exposures).

The largest counterparties of the Savings Banks Amalgamation are various issuers of sovereign bonds held for the purpose of maintaining liquidity reserves, and derivate counterparties. The 20 largest exposures together account for 2.4% (1.3%) of the total lending portfolio. The largest industries in the credit portfolio for corporate customers are real estate and the basic industries, fisheries and mining sector, which together account for 20.3% (20.1%) of the total credit portfolio.

CORPORATE EXPOSURES BY INDUSTRY*

Industry	31.12.2023	31.12.2022
Basic industries, fisheries and mining	18.44%	18.74%
Industry	5.19%	4.50%
Energy, water and waste disposal	0.63%	0.54%
Construction	8.45%	8.43%
Trade	5.85%	6.03%
Hotels and restaurants	2.68%	2.69%
Transport	2.54%	2.41%
Financing	2.51%	1.89%
Property	43.10%	43.64%
Research, consulting and other business service	4.65%	4.89%
Other services	5.96%	6.23%
Total	100.0%	100.0%

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

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 the 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 on their own account or on a customer's account. The use of derivatives is limited to hedging purposes. A member credit institution may have a small trading book as defined in article 94 of the EU capital adequacy regulation.

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 are managed by diversifying the investments by investment class, counterparty, sector and geography.

The dependence of Savings Banks' investment operations on the impacts of the war in Ukraine has been very limited. However, the change in the interest rate environment has had a considerable effect on the market values of the Savings Banks' investments.

The table below illustrates the diversity of the investment portfolio by asset class.

Investment portfolio (EUR 1,000)*	31.12.2023		31.12.2022	
	Fair value	Share (%)	Fair value	Share (%)
Debt securities	619,606	81.8%	631,618	78.6%
Shares	50,874	6.7%	66,386	8.3%
Structured investments	1,410	0.2%	3,003	0.4%
Other investments	52,069	6.9%	65,382	8.1%
Properties	33,117	4.4%	37,219	4.6%
Total	757,076	100%	803,607	100%

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

The table below shows the investment portfolio's risk sensitivity to different risk factors and their effect on the market values of investments, the Amalgamation's profit and own funds.

Risk factor (EUR 1,000)	Chg %	31.12.2023	31.12.2023	Income*	Own funds*
Interest rates	+ 1%	-13,639	-17,143	-166	-12,404
Share prices	-10%	-5,087	-8,410	-5,087	-5,087
Property values	-10%	-3,312	-5,630	-	-
Structured investment value	-10%	-141	-337	-141	-141
Muut sijoitukset	-10%	-5,207	-8,476	-5,207	-5,207

* Risk factor effect on income and own funds.

Equity risk refers to the effect of changes in stock prices. Equity risk arises primarily from the liquidity and investment portfolios of member credit institutions. Unlisted equity holdings consist mainly (76%) of intra-group holdings that are not part of the Savings Banks Amalgamation.

Equity portfolio (EUR 1,000)*	31.12.2023	31.12.2022
Listed shares	11,699	32,521
Unlisted shares	39,175	33,864
Total	50,874	66,386

* The figures include both ongoing operations and demerged operations from the Savings Banks Group.

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 instruments in the investment portfolio. 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 the capital adequacy calculation method (the capital requirement is calculated if the total net currency position is more than 2% of total own funds).

Commodity risk refers to the impact of changes in commodity prices. The business operations, including investment activities, of the member credit institutions of the Savings Banks Amalgamation do 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 Capital Adequacy Assessment process (ICAAP) at the member credit institution and Amalgamation level, which allocates capital to cover the market risks of the banking book in normal and stress scenarios, is an important tool in measuring and monitoring the market risks included in the banking book.

Interest rate risk in the banking book

The business of the Savings Banks Amalgamation is retail banking, which includes interest rate risk as an integral part, meaning the adverse impact of changes in interest rates on the market value of the banking balance sheet and off-balance-sheet items (current value risk) or on the net interest income (income risk). Interest rate risks arise from the banking books of member credit institutions, consisting of lending and deposits, wholesale market funding and investment portfolios. The Amalgamation does not have a trading book.

The purpose of the management of interest rate risks is to stabilise 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 jeopardising capital adequacy even in the event of drastic 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 of investments and issued funding and by hedging with interest rate derivatives. The member Savings Banks of the Savings Banks Amalgamation use interest rate derivatives, such as options and swaps, actively in hedging their net interest income.

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 in the net present value of the balance sheet resulting from a change in interest rates when each balance sheet item is valued at the present value of its cash flows. The income risk model predicts future net interest income over one year with changing market interest rates.

The table below shows the next 12 months' net interest income's sensitivity to a one-percentage-point parallel shift in the interest rate curve. A 0% floor is applied to loan reference interest rates based on loan contract provisions. Retail deposits are also 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 TO A 1% -POINT PARALLEL SHIFT IN THE INTEREST RATE CURVE

(EUR 1,000)	Change in net interest income			
	31.12.2023		31.12.2022	
Period	Down	Up	Down	Up
Change in the coming 12 months	-17,340	16,361	-20,940	19,776
Change in 12–24 months	-37,028	32,841	-46,538	46,140

On 20 October 2022, the European Banking Authority announced a regulatory package on interest rate risk, with a guideline on the management of the interest rate risk of the financial account and two new draft regulatory standards concerning the standard method for interest rate risk calculation and outlier tests. The guideline entered into force on 30 June 2023 and the regulations 20 days after they were published in the Official Journal of the European Union. The impact of the regulatory package on the management of the Amalgamation's interest rate risk management will ultimately only be found out once the European Commission has approved the final versions of the regulations.

Liquidity risk

Liquidity risk refers to the risk of the Savings Banks Amalgamation being unable to meet its present or future expected or unexpected obligations as they fall due or being unable to do so without incurring unacceptable losses.

The Savings Banks Amalgamation's business is retail banking, the key part of which is the financial risk due to maturity transformation. The business is based on deposits received by member savings banks, which are used to fund loans to customers.

On 31 December 2023, the Savings Banks Amalgamation held EUR 1,841 (1,586) million (before haircuts) of LCR eligible liquid assets of which 77% (71%) were notes and coins and reserves held in the Bank of Finland, 13% (14%) were level 1 assets issued by governments and multinational organisations and 10% (15%) were other liquid assets. The Savings Banks Amalgamation's LCR was 226% (144%) on 31 December 2023.

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

Assets 2023 (EUR 1,000)	**Total**	**< 3 mon**	**3–12 mon**	**1–5 years**	**> 5 years**
Cash and central bank reserves	1,431,712	1,431,712	0	0	0
Central bank eligible debt securities	503,274	21,821	69,211	350,692	61,550
Receivables from financial institutions	178,972	178,972	0	0	0
Receivables from customers and public entities	9,539,664	481,272	584,927	2,608,813	5,864,652
Other debt securities	116,380	12,214	21,821	80,401	1,944
Equity and shares	84,081	0	0	0	84,081
Other assets	269,902	0	172,325	0	97,577
Assets total	12,123,986	2,125,992	848,284	3,039,906	6,109,804

Liabilities 2023 (EUR 1,000)	**Total**	**< 3 mon**	**3–12 mon**	**1–5 years**	**> 5 years**
Due to credit institutions and central banks	620,868	304,053	131,818	184,997	0
Amounts owed to customers and public entities	7,023,662	6,300,578	583,796	139,287	0
Debt securities in issue	2,946,738	101,068	203,967	2,436,954	204,749
Subordinated liabilities	3,173	3,173	0	0	0
Other liabilities	440,041	271,292	20,929	104,601	43,219
Liabilities total	11,034,482	6,980,164	940,510	2,865,839	247,968
Derivatives, net cash flows	-201,442	-28,487	-55,497	-91,910	-25,512

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

Assets 2022 (EUR 1,000)	**Total**	**< 3 mon**	**3–12 mon**	**1–5 years**	**> 5 years**
Cash and central bank reserves	1,207,448	1,207,448	0	0	0
Central bank eligible debt securities	464,611	12,777	118,568	240,286	92,980
Receivables from financial institutions	205,014	205,014	0	0	0
Receivables from customers and public entities	9,024,855	481,272	584,927	2,608,813	5,349,843
Other debt securities	170,578	3,701	28,258	125,143	13,476
Equity and shares	135,697	0	0	0	135,697
Other assets	1,576,179	89	1,490,044	0	86,046
Assets total	12,784,382	1,910,301	2,221,797	2,974,242	5,678,042

Liabilities 2022 (EUR 1,000)	**Total**	**< 3 mon**	**3–12 mon**	**1–5 years**	**> 5 years**
Due to credit institutions and central banks	450,945	112,655	150,000	168,000	20,290
Amounts owed to customers and public entities	6,999,896	6,276,298	583,801	139,797	0
Debt securities in issue	2,756,667	88,726	185,151	1,832,794	649,996
Subordinated liabilities	2,058	2,058	0	0	0
Other liabilities	1,427,039	1,163,954	850	102,545	159,690
Liabilities total	11,636,605	7,643,691	919,802	2,243,136	829,976

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 Treasury function of the Central Bank of Savings Banks is responsible for the operational implementation of the liquidity strategy at the Savings Bank Amalgamation level, which includes drafting and maintaining the operational level guidelines. Treasury is also responsible for the operational maintenance and testing of the amalgamation-level liquidity recovery plan and is responsible for the adequacy and management of the amalgamation-level liquidity reserve. 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.

Treasury monitors the structural financial risk of banking operations on a monthly basis. Risk is measured by the net stable funding ratio (NSFR), the lending/borrowing ratio and a 10-year horizon gap analysis to measure the suitability of the banking operations financing structure for the long-term financing of balance sheet assets.

The main methods of measuring and monitoring liquidity risk at the amalgamation level are the cash position, the adequacy of the liquidity reserve as measured by stress tests, the liquidity coverage ratio and net stable funding ratio.

The Finnish Financial Supervisory Authority has granted the Central Institution permission pursuant to the Act on the Amalgamation of Deposit Banks to decide that its member credit institutions will not be subject to the requirements stipulated by Section 6 of the EU Capital Requirements Regulation (EU 575/2013) and other EU statutes issued on the basis of the Regulation regarding the liquidity of credit institutions and net stable funding ratio (LCR and NSFR).

Real estate risk

Real estate risk refers to the risk of depreciation, income risk and damage risk to real estate assets. Real estate investments are not part of the core business of the banking segment. The banks' real estate investments are mainly secured with full value insurance. Property, plant, equipment, and investment property are measured at cost less depreciation and impairment. The book values and measurement at cost are described more detail in the note "Investment assets".

Operational risk

Operational risks refer to the risk of loss caused by inadequate or failed internal processes, personnel, systems or external factors. Legal and compliance risks are also included in operational risks. In addition, reputational risk is managed as part of operational risks. The various stages of lending and trading processes also involve operational risks as well credit, liquidity and market risks, which have been assessed in the evaluation of Group-level operational risks. Strategic risks have been excluded from operational risks here.

The Savings Banks Group'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 concerning the management of operational risks, along with other internal guidelines of the Savings Banks Groups.

The Board of Directors of the Savings Banks Amalgamation's Central Institution has the overall responsibility for the operational risks of banking 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 operational risk management. The risk management organisation monitors that the operational risk management framework is applied in all companies and units belonging to the Savings Banks Group.

The operational risks associated with the most important products, services, operations, processes and systems are identified. 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 sanctions, liability to compensate customers and loss of goodwill due to non-compliance with laws or official regulations. The Savings Banks Group complies with the standard terms established in the banking, asset management and insurance industries. When finalising non-standard agreements, legal services are used, and external experts are consulted when needed.

The Compliance function has been established to ensure that the Savings Banks Amalgamation complies with regulations and internal guidelines. The Compliance function's responsibility is to ensure that the Savings Banks Amalgamation complies with laws, regulations and guidelines. The Compliance function also ensures that the Savings Banks Amalgamation complies with its own internal guidelines, ethical principles for personnel and other instructions in the financial and insurance markets. The ultimate goal is to avoid compliance risk in the operations of the Savings Banks Group.

Business risk

Business risk describes the impact of uncertainties caused by the operating environment on the Bank's business. Business risks arise from competition, changes in markets and customer behaviour, and unexpected fluctuations in income. Business risks may also be caused by choosing a wrong strategy, ineffective management, or slow response to changes in the operating environment.

Strategic and business planning are the tools used to manage and minimise business risks.

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.

The fund capital managed by Sp-Fund Management Company totalled EUR 4.7 (4.5) billion at the end of the year. The total number of investment funds managed at the end of 2023 was 24 (24) investment funds and 9 (9) special investment funds.

Life insurance

The most significant risks in life insurance concern insurance contracts and investment operations. The "insurance technical 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 securing, which means that, under normal conditions, the pricing in accordance with the technical bases produces surplus for the company.

PROFITABILITY OF LIFE INSURANCE

	31.12.2023			31.12.2022
(EUR 1,000)	Risk premiums	Claims incurred	Claims ratio	Claims ratio
Risk insurance	4,776	1,746	37%	36%
Savings and pension insurance	27,261	26,388	97%	96%
Total	2,464,415	2,164,109	88%	87%

Insurance risk

The most significant insurance risks are linked to pure risk products. These products include loan insurance, under which the company grants insurance against death, permanent incapacity for work and accident-related permanent incapacity for work. Such risks are managed by the insurance terms and conditions, careful selection of liability, correct pricing and reinsurance. In insurance against permanent incapacity for work and accident-related permanent incapacity for work, it is possible to increase the contributions for the existing insurance base when the claims ratio weakens. In terms of the selection of liability, we have specified clear grounds for taking insurance risks. In the selection of liability for risk insurance, we use liability selection decision instructions prepared and maintained by the reinsurer.

The amount exceeding the excess is 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. We have prepared for this by interest supplements.

Expense risk

The products in life insurance operations are priced in terms of the expense loadings received from the products to cover the expenses incurred. The expense loadings are dimensioned on the basis of product lifecycle thinking, whereby the expense loadings received from the contracts are allocated over the entire validity of the contract. With regard to life insurance, we analyse the profitability of insurance types at least once a year, on the basis of which the contributions 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 credits with the income received. By means of the analysis, we annually monitor the sufficiency of the pricing by insurance type and take the necessary corrective steps.

Sensitivity analysis of the technical provisions

The insurance portfolio is made up of risk insurance and savings insurance. Risk insurance policies are life insurance policies linked to loans granted by sales channels, the related cover of which may include insurance against permanent incapacity for work and accident-related permanent incapacity for work. Savings insurance policies include endowment policies, pension and group pension insurance policies and capitalisation agreements. The Savings Banks Group does not have the opportunity to materially affect the contributions for, or other terms and conditions of, already granted insurance policies.

Risk insurance policies involve mortality risk and the risk of incapacity for work. These risks are managed by the appropriate selection of liability, profitability of business-related underwriting risk and reinsurance. The company has reinsured every insured person in the event of death or permanent disability to the extent that the risk sum (or sum insured) exceeds EUR 150,000 or EUR 300,000 in new contracts from 2023 onwards. In addition, the Savings Banks Group has catastrophe cover, which restricts the maximum amount of damage incurred from one loss event to EUR 500 thousand.

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. Savings insurance policies include a surrender option, which has been 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 has been 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 contribution plan of the insurance. Changes to the contribution plan have not been restricted in the terms and conditions.

The guaranteed interest savings insurance policies have been 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 2023, it was 0.12% on average. EUR 8.9 million has been reserved for future discretionary bonuses included in technical provisions, which is estimated to cover four-fifths of the future discretionary bonuses during the next 10 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 are managed by effective diversification, while at the same time taking into account the regulations related to assets covering technical provisions.

DISTRIBUTION OF INVESTMENT ASSETS

Type of investment (EUR 1,000)		31.12.2023	31.12.2022
Bonds			
	Fixed-income funds	103,307	108,368
Shares, Developed markets			
	Equity funds	31,363	19,523
Hedge funds		10,114	9,997
Real estate			
	Real estate funds	8,798	10,903
Bank receivables in investments		1,356	8,403
Total		154,938	157,194

BOND AND FIXED INCOME FUND INVESTMENTS ACCORDING TO MODIFIED DURATION

(EUR 1,000) Modified, duration	31.12.2023	Share	31.12.2022	Share
0 - 1	15,168	14%	15,717	24%
1-3	22,636	22%	12,482	18%
3-5	28,935	28%	13,523	21%
5-7	17,040	16%	29,382	13%
7-10	10,224	10%	21,915	11%
10 -	11,063	11%	15,349	13%
Total	105,065	100%	108,368	100%

INVESTMENTS BY CURRENCY

(EUR 1,000) Currency	31.12.2023	Share	31.12.2022	Share
EUR	138,102	89%	126,918	85%
USD	10,892	7%	15,325	10%
GBP	2,463	2%	2,976	2%
Others	3,480	2%	3,571	2%
Total	154,937	100.00%	148,791	100.00%

BONDS AND STRUCTURED LOANS ACCORDING TO MATURITY AND CREDIT RATING

(EUR 1,000)	Maturity						31.12.2023		31.12.2022	
Credit rating	0 – 1	1 – 3	3 – 5	5 – 7	7 – 10	10 –	Total	Share	Total	Share
AAA	1,096	1,877	726	638	1,480	2,935	8,753	8%	15,054	8%
AA	3,796	3,202	3,495	2,018	2,774	3,485	18,770	18%	21,438	5%
A	1,821	4,111	3,943	2,596	2,002	1,288	15,761	15%	30,653	11%
BBB	3,738	5,292	6,981	5,277	2,708	1,999	25,995	25%	15,299	26%
< BBB	1,500	5,261	7,790	1,924	203	468	17,146	16%	13,775	36%
Unclassified	3,216	2,893	6,000	4,588	1056	888	18,641	18%	12,149	14%
Total	15,168	22,636	28,935	17,040	10,224	11,063	105,065	100%	108,368	100%

Fund investments in euro-hedged funds have been classified as euro-denominated fund investments. The currencies in other funds are 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. Investment risk is monitored through sensitivity analyses and by means of the value-at-risk technique. The table below shows the sensitivity analysis of the investment portfolio, which describes the effect of different market risk factors on investment assets.

The credit risk of investment operations is managed by issuer and counterparty limits.

SENSITIVITY ANALYSIS

(EUR 1,000)		Change in own funds	
Risk factor	Change	31.12.2023	31.12.2022
Interest	+ 1%-point	-1,799	101
	- 1%-point	-777	-322
Share	-10%	-3,136	-2,052
Real estate	-10%	-880	-1,300
Currency	Others/Euro-10%	-1,684	-2,187
Structured loans	-10%	0	0

NOTES

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, which is described in Note 2.

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 1.1–31.12.2023

(EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	263,246	539	263,786
Net fee and commission income	69,538	56,577	126,114
Net investment income	-29,875	25,958	-3,917
Net insurance income		3,755	3,755
Finance income and expenses of the insurance contracts		-32,835	-32,835
Other operating revenue	12,815	406	13,221
Total operating revenue	315,723	54,401	370,124
Personnel expenses	-63,530	-2,362	-65,892
Other operating expenses	-153,837	-3,784	-157,621
Total operating expenses	-217,367	-6,146	-223,513
Net impairment loss on financial assets	-9,988		-9,988
Profit before tax	88,368	48,255	136,623
Taxes	-20,762	-9,257	-30,020
Profit	67,606	38,997	106,603
Statement of financial position 31 December 2023			
Cash and cash equivalents	1,431,712		1,431,712
Loans and advances to credit institutions	148,272	15,626	163,898
Loans and advances to customers	9,539,206		9,539,206
Derivatives	16,649		16,649
Investment assets	719,892	171,152	891,044
Assets covering unit-linked contracts		908,402	908,402
Assets related to insurance contracts		1,073	1,073
Assets related reinsurance contracts		375	375
Other assets	214,158	10,634	224,792
Total assets	12,069,889	1,107,262	13,177,151
At fair value through profit or loss		38,096	38,096
Liabilities to credit institutions	614,829		614,829
Liabilities to customers	7,016,823		7,016,823
Derivatives	174,215		174,215
Debt securities issued	2,946,738		2,946,738
Unit-linked contract liability		420,446	420,446
Insurance contract liability		571,387	571,387
Subordinated liabilities	3,173		3,173
Other liabilities	218,510	42,471	260,982
Total liabilities	10,974,289	1,072,400	12,046,689
Number of emplyees at the end of the period	921	61	982

RECONCILIATIONS

(EUR 1,000)	1-12/2023	1-12/2022
Revenue		
Total revenue for reportable segments	370,124	304,968
Withdrawal from Savings Banks Group, other operations	8,199	185
Total revenue of the Group	378,323	305,154
Profit		
Total profit or loss for reportable segments	106,603	56,291
Non allocated amounts	-1,116	-123
Withdrawal from Savings Banks Group	2,712	11,251
Total profit of the Group	108,199	67,419

	1-12/2023	1-12/2022
Assets		
Total assets for reportable segments	13,177,151	12,390,143
Non allocated assets, other operations	29,264	20,159
Withdrawal from Savings Banks Group		1,369,986
Total assets of the Group	13,206,415	13,780,287
Liabilities		
Total liabilities for reportable segments	12,046,689	11,618,743
Non allocated liabilities, other operations	21,776	12,882
Withdrawal from Savings Banks Group		969,816
Total liabilities of the Group	12,068,464	12,601,441

INCOME STATEMENT 2022

(EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	169,862	-159	169,703
Net fee and commission income	67,915	60,999	128,914
Net investment income	-6,862	-105,376	-112,238
Net insurance income		-1,056	-1,056
Finance income and expenses of the insurance contracts		75,616	75,616
Other operating revenue	43,601	428	44,029
Total operating revenue	274,515	30,453	304,968
Personnel expenses	-58,284	-1,942	-66
Other operating expenses	-150,505	-7,488	-164
Total operating expenses	-208,789	-9,430	-229
Net impairment loss on financial assets	-15,882		-15,882
Profit before tax	49,844	21,023	70,867
Taxes	-10,053	-4,524	-14,576
Profit	39,791	16,500	56,291
Statement of financial position 2022			
Cash and cash equivalents	1,207,448		1,207,448
Loans and advances to credit institutions	183,658	13,948	197,605
Loans and advances to customers	9,024,439		9,024,439
Derivatives	89		89
Investment assets	766,403	156,162	922,564
Assets covering unit-linked contracts		856,353	856,353
Assets related reinsurance contracts		16	16
Other assets	163,557	18,070	181,627
Total assets	11,345,595	1,044,548	12,390,143
At fair value through profit or loss		18,107	18,107
Liabilities to credit institutions	449,017		449,017
Liabilities to customers	6,994,366		6,994,366
Derivatives	263,422		263,422
Debt securities issued	2,756,662		2,756,662
Unit-linked contract liability		373,032	373,032
Insurance contract liability		571,317	571,317
Subordinated liabilities	2,058		2,058
Other liabilities	155,478	35,282	190,760
Total liabilities	10,621,003	997,739	11,618,743
Number of emplyees at the end of the period	873	63	936

NOTE 7. NET INTEREST INCOME

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.

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.

(EUR 1,000)	1–12/2023	1–12/2022
Interest income		
From financial assets measured at amortized cost		
Debt securities eligible for refinancing with Central Bank	1,111	203
Loans and advances to credit institutions	48,200	6,338
Loans and advances to customers	376,756	164,147
Debt securities	831	944
	426,898	171,631
From financial assets measured at fair value through other comprehensive income		
Debt securities eligible for refinancing with Central Bank	6,407	4,009
Debt securities	3,521	4,768
	9,928	8,777
From financial assets measured at fair value through profit or loss		
Debt securities	531	823
Derivative contracts		
Hedging derivatives	41,351	23,649
	41,882	24,472
Total interest income	478,708	204,880

(EUR 1,000)	1–12/2023	1–12/2022
Interest expenses		
From financial liabilities measured at amortised cost		
Liabilities to credit institutions	-11,362	-3,220
Liabilities to customers	-51,507	-5,941
Debt securities issued	-52,448	-15,175
Subordinated liabilities	-67	-137
	-115,384	-24,474
From financial liabilities measured at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	-99,564	-10,796
	-99,564	-10,796
Total interest expenses	-214,947	-35,270
Net interest income	263,761	169,610

NOTE 8. NET FEE AND COMISSION INCOME

Net fee and commission income consists of the income and expenses associated with services provided to customers. Fees received for services are recognised as income after the performance obligation has been fulfilled, and the key criterion is the transfer of control. Income is recognised at the amount which the Savings Banks Group expects to be entitled to in exchange for the services performed.

Comission income of unit-linked contracts that are classified as financial instruments according to IFRS 9 include fee income and fee expenses include compensations paid to customers.

Net income and commission income consists of commission income from lending, payment transactions and unit-linked contracts. In addition, fees are charged for, among other things, legal tasks, guarantees, funds and brokerage of securities. The above-mentioned items consist of several different types of fees and commissions, the performance obligations of which are fulfilled, depending on the nature of the fee, either over time or at a single point in time.

The performance obligations for lending, guarantees and fund fees are mainly fulfilled over time, for other fees at a point in time. The amount of consideration in the services is mainly the list price or as agreed in the contract. Fees are charged to the customer on a monthly basis or after the performance of the service in accordance with the terms and conditions of the contract. The fund and asset management fees include performance-based fees that are tied to the performance of investment activities. Performance-based fees are recognised as income only when the criteria measuring the performance of investment activities are very likely to be met.

Fee expenses are recognised on a performance basis.

(EUR 1,000)	1–12/2023	1–12/2022
Fee and commission income		
Lending	18,295	20,700
Deposits	216	196
Payment transfers	49,246	46,969
Securities brokerage	829	580
Mutual fund brokerage	37,667	39,743
Asset management	1,564	1,049
Legal services	3,957	3,808
Custody fees	1,383	1,935
Insurance brokerage	1,478	1,456
Guarantees	2,465	2,247
Unit-linked contracts	59,240	59,501
Other	1,884	-3,644
Total	178,224	174,540
Fee and commission expense		
Payment transfers	-3,719	-3,130
Securities	-553	-614
Mutual fund brokerage	-328	-876
Asset management	-1,076	-1,066
Unit-linked contracts	-40,143	-34,192
Other*	-6,007	-6,093
Total	-51,827	-45,970
* of which the most significant expenses are the shared ATM expenses amounting to EUR 2,771 (2,786) thousand.		
Net fee and commission income	126,397	128,570

NOTE 9. LOANS AND ADVANCES

9.1 LOANS AND ADVANCES TO CREDIT INSITUTIONS AND CUSTOMERS

Loans and advances to credit institutions and customers are primarily classified as measured at amortised cost and are consequently subject to calculation of expected credit losses. The table below presents the gross values, allowances for expected credit losses and balance values for loans and advances by product type.

LOANS AND ADVANCES

31.12.2023

(EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	179,046	-52	178,993
Loans and other receivables	162	-15	147
Total	179,207	-67	179,140
Loans and advances to customers			
By products			
Used overdrafts	97,567	-1,283	96,285
Loans	8,831,577	-42,301	8,789,276
Interest subsidized housing loans	505,698	-2,227	503,471
Loans granted from government funds	4		4
Credit cards and unsecured loans	152,065	-3,248	148,816
Guarantees	1,596	-242	1,353
Total	9,588,507	-49,302	9,539,206
Loans and advances total	9,767,715	-49,369	9,718,346

LOANS AND ADVANCES

31.12.2022

(EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	204,922	-8	204,915
Loans and other receivables	136	-3	132
Total	205,058	-11	205,047
Loans and advances to customers			
By products			
Used overdrafts	78,234	-797	77,438
Loans	8,382,002	-38,630	8,343,372
Interest subsidized housing loans	465,873	-1,536	464,338
Loans granted from government funds	9		9
Credit cards	140,991	-2,435	138,556
Guarantees	936	-209	727
Total	9,068,045	-43,606	9,024,439
Loans and advances total	9,273,103	-43,617	9,229,486

9.2 INVESTMENT ASSETS

(EUR 1,000)	1–12/2023	1–12/2022
At fair value through other comprehensive income		
Debt securities	543,640	561,610
Shares and participations	3,515	3,582
Total	547,155	565,192
Fair value through profit or loss		
Debt securities	7,061	14,185
Shares and participations	243,690	261,881
Total	250,751	276,067
Amortised cost investments		
	4,417	4,537
Debt securities	73,334	58,655
Expected Credit Losses	-44	-46
Total	77,706	63,146
Investment property	19,610	22,460
Investment assets	895,223	926,864

BREAKDOWN BY ISSUER OF QUOTATION

31.12.2023 (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	181,949	585	69,540	252,074
From others	361,692	237,548	3,750	602,989
Other				
From public entities				
From others	3,515	12,617	4,417	20,549
Total	547,155	250,751	77,706	875,613

31.12.2022 (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	137,507	590	56,020	194,117
From others	424,103	262,859	2,589	689,550
Other				
From public entities				
From others	3,582	12,618	4,537	20,737
Total	565,192	276,067	63,146	904,404

9.3 IMPAIRMENT LOSS ON FINANCIAL ASSETS

The Savings Banks Group determines impairments on financial assets based on an expected credit loss model. The loss allowance for expected credit loss is measured and recognized for financial assets that are subsequently measured at amortized cost or at fair value through other comprehensive income as well as for financial guarantees and loan commitments.

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

- 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 probability of a default event 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 probability of a default event being incurred within the remaining life of the financial asset.

- Stage 3 includes financial assets that are impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

The adjacent table presents the financial assets within the scope of measurement of expected credit losses by impairment stage broken down into investment assets, loans and advances and off-balance sheet items.

FINANCIAL ASSETS WITHIN THE SCOPE OF MEASUREMENT OF EXPECTED CREDIT LOSSES BY IMPAIRMENT STAGE

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 31 Dec. 2023				
Investment assets	650,061	9,552		659,613
Loans and advances	8,118,725	1,268,025	214,902	9,601,652
Off-balance sheet items	585,394	31,898	1,838	619,130
Total	9,354,180	1,309,474	216,740	10,880,394

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 31 Dec. 2022				
Investment assets	640,989	39,027	500	680,516
Loans and advances	7,843,798	1,093,234	148,113	9,085,145
Off-balance sheet items	653,406	47,837	1,463	702,706
Total	9,138,193	1,180,099	150,076	10,468,367

'In assessing the significance of change in credit risk, the Savings Banks Group takes into account the following qualitative and quantitative information, amongst others.

- Payment delay: the credit risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when payment delay exceeds 30 days. When payment delay for a financial asset exceeding the threshold exceeds 90 days, it is deemed to be impaired and is migrated to stage 3.

- PD% increase: the risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when the defined relative or abslute thresholds for the PD% increase are exceeded.

- Forbearance: the credit risk of a performing financial asset subject to forbearance is deemed to have increased significanlty and the contract is migrated from stage 1 to stage 2. If the contract is forborne and 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 the counterparty of a financial asset is in default, the contract is deemed to be impaired and is migrated to stage 3.

The financial asset can revert from stage 2 and 3 if its credit risk has improved significantly and it has consistently met the criteria for the previous stage during the length of the defined probation period. The length of the probation period for transition from stages 2 and 3 is three months.

The tables below present the development of the expected credit losses as of the begining of the reporting period.

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 2023	3,035	5,397	36,119	44,550
Transfers to stage 1	576	-1,367	-103	-893
Transfers to stage 2	-1,018	6,573	-2,213	3,341
Transfers to stage 3	-91	-1,599	12,027	10,338
New assets originated or purchased	2,593	71	966	3,630
Assets derecognised or repaid (excluding write offs)	-708	-697	-5,374	-6,778
Amounts written off			-7,481	-7,481
Amounts recovered			579	579
Change in credit risk	638	212	2,275	3,126
Net change in ECL	1,990	3,193	677	5,860
Expected credit losses 31 December 2023	5,025	8,590	36,796	50,410

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 2023	2,240	3,538	499	6,277
Transfers to stage 1	46	-1,673		-1,627
Transfers to stage 2	-80	1,398		1,317
Transfers to stage 3				
New assets originated or purchased	152	15		168
Assets derecognised or repaid (excluding write offs)	-523	-1,056	-499	-2,078
Amounts written off				
Amounts recovered				
Change in credit risk	-602	-227		-829
Change in model for calculation of ECL				
Net change in ECL	-1,008	-1,543	-499	-3,050
Expected credit losses 31 December 2023	1,233	1,994		3,227
Expected credit losses 31 December 2023				53,637
Total change in expected credit losses 1 January 2023 -31 December 2023				2,810

METHODS AND PARAMETERS USED IN CALCULATION OF EXPECTED CREDIT LOSSES

The Savings Banks Group's assessment of expected credit loss is based on the PD*LGD*EAD model. 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*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.

The Savings Banks Group assesses expected credit losses of debt securities belonging to investment assets by purchasing lot by using the PD*LGD*EAD model. 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 calculation correspond to analysed historical actuals by investment type and are not assessed separately by issuer or investment.

The calculation of expected credit loss for the credit portfolio (loans and advances to customers and off-balance sheet items) includes forward-looking information by incorporating three different economic scenarios based on macroeconomic forecasts prepared by the Savings Banks Groups' Chief Economist. The effect of the changes in macroeconomic forecasts is modelled in the PD parameter that is used in calculation of ECL.

The scenarios used in the calculation and their weights are the following: optimistic 20%, base 60% and pessimistic 20%. 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 third-year values of the forecast period.

The key macroeconomic factors and their forecasted values for the next three years are presented below (the value variation range between different scenarios).

	2023	2024	2025
- Change in EuropeStoxx%	-8.4% / 12%	-2.9% / 8.0%	-0.5% / 10.0%
- Change in GDP	-1.0% / 0.5%	0.60%	1.00%
- Investments	-5.0% / -1.0%	0.50%	1.50%

WAR IN UKRAINE AND IMPACTS OF THE ECONOMIC SANCTIONS AGAINS RUSSIA

The member banks of the Savings Banks Group have assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. At the time of reporting, the Savings Banks Group does not have significant direct liabilities to Russia, Ukraine or Belarus. Nevertheless, the changed market conditions have indirect impacts on certain industries or individual customer relationships in sectors such as agriculture, logistics, construction or industries dependent on energy commodities. Savings Banks have enhanced their monitoring of identified risks that have potentially been elevated by the crisis. When necessary, an adjustment based on the management's assessment has been made to the amount of expected credit losses.

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 2022	2,992	2,356	30,473	35,821
Transfers to stage 1	416	-987	-42	-613
Transfers to stage 2	-670	4,243	-2,726	847
Transfers to stage 3	-105	-787	7,229	6,338
New assets originated or purchased	3,215	-118	2,007	5,104
Assets derecognised or repaid (excluding write offs)	-575	-820	-4,823	-6,218
Amounts written off			-3,353	-3,353
Amounts recovered			481	481
Change in credit risk	-1,234	-552	6,875	5,089
Change in model for calculation of ECL	-1,004	2,061	-1	1,056
Net change in ECL				
Net change in ECL				8,729
Expected Credit Losses 31 December 2022	3,035	5,397	36,119	44,550

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 2022	1,293	30	3,194	4,517
Transfers to stage 1				
Transfers to stage 2	-75	3,748		3,673
Transfers to stage 3				
Investments during the period	275	10		285
Investments expired	-257	-250		-507
Amounts written off			-2,696	-2,696
Amounts recovered				
Change in credit risk	1,005		1	1,005
Change in calculation model				
ECL net change				1,760
Expected Credit Losses 31 December 2022	2,240	3,538	499	6,277
Total Expected Credit Losses 31 December 2022				50,827
Total change in Expected Credit Losses 1 January 2022 – 31 December 2022				10,489

9.4 NET INVESTMENT INCOME

Net investment income includes net income from financial assets measured at fair value through profit or loss (capital gains and losses, measurement gains and losses and dividend income), 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 investment activities witin insurance operations, foreign exchange operations and fair value hedge accounting.

(EUR 1,000)	1–12/2023	1–12/2022
Net income from financial assets at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	1,578	-126
Transferred from fair value reserve during the financial year	-9,163	-1,074
	-7,585	-1,200
Shares and participations		
Dividend income	1,396	-393
	1,396	-393
Total	-6,189	-1,593
Net income from financial asset at fair value through profit or loss		
Debt securities		
Capital gains and losses	-1	52
Fair value gains and losses	624	-1,741
	623	-1,689
Shares and participations		
Dividend income	2,717	3,811
Capital gains and losses	71	-98
Fair value gains and losses	2,934	-13,312
	5,723	-9,599
Net income from foreign exchange operations		-7
Fair value gains and losses from derivative contracts not in hedge accounting*)	-840	2,147
Net income from hedge accounting		
Change in hedging instruments' fair value	106,583	-280,240
Change in hedged items' fair value	-128,022	278,949
	-22,279	849
Total	-15,933	-10,438

* Including EUR 141 thousand (-166) of the ineffective part of cash flow hedges.

(EUR 1,000)	1–12/2023	1–12/2022
Net income from investment property		
Rental and dividend income	4,063	4,541
Capital gains and losses	57	1,519
Other income from investment property	68	80
Maintenance charges and expenses	-3,833	-3,970
Depreciation and amortisation of investment property	-3,160	-4,070
Rental expenses arising from investment property	-3	-25
Total	-2,808	-1,925
Other income	-15	-32
Investments within insunrance operations		
Net income from financial asset and liabilities at fair value through profit or loss		
Shares and participations		
Dividend income	591	1,400
Capital gains and losses	1,661	178
Fair value gains and losses	63,461	-132,488
Other investments	150	570
Net income from foreign exchange operations	-51	72
Change in insurance contract liability	-45,099	34,407
Net income from unit-linked customer assets	87	-2,703
	20,800	-98,564
Net investment income	-4,145	-112,553

NOTE 10. FUNDING

10.1 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31.12.2023	31.12.2022
Liabilities to credit institutions		
Liabilities to central banks	68,000	68,000
Liabilities to credit institutions	552,868	382,946
Total	620,868	450,946
Liabilities to customers		
Deposits	7,045,368	7,055,706
Other financial liabilities*	4	519
Change in the fair value of deposits	-28,549	-61,859
Total	7,016,823	6,994,366
Liabilities to credit institutions and customers	7,637,691	7,445,312

* Other financial liabilities are deposits made by other states, multinational organizations and foreign funds.

10.2 DEBT SECURITIES ISSUED

(EUR 1,000)	31.12.2023	31.12.2022
Measured at amortised cost		
Bonds	815,739	582,282
Covered bonds	2,046,356	2,045,010
Other		
Certificates of deposit	84,643	129,373
Debt securities issued	2,946,738	2,756,666
Of which		
Variable interest rate	495,403	350,885
Fixed interest rate	2,451,335	2,405,780
Total	2,946,738	2,756,666

ISSUED COVERED BONDS

(EUR 1,000)	Nominal value	Carrying amount	Maturity	Interest base	Coupon	Maturity date
Sp Mortgage Bank 2019	500,000	498,966	7 years	Fixed	0.05%	19.6.2026
Sp Mortgage Bank 2021	500,000	501,973	7 years	Fixed	0.01%	28.9.2028
Sp Mortgage Bank 2022	300,000	299,490	3 years	Fixed	1.00%	28.4.2025
Sp Mortgage Bank 2022	750,000	745,927	5 years	Fixed	3.13%	1.11.2027
Total	2,050,000	2,046,356				

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

10.3 SUBORDINATED LIABILITIES

	31.12.2023		31.12.2022	
(EUR 1,000)	**Average interest rate %**	**Carrying amount**	**Average interest rate %**	**Carrying amount**
Subordinated loans	4.00%	84	4.00%	84
Other				
Perpetual loans				
Debentures	4.00%	3,173	2.48%	2,058
Other loans				
Subordinated liabilities		3,257		2,142

10.4 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR 1,000)	**31.12.2023**	**31.12.2022**
Other financial liabilities at fair value through profit or loss*	38,096	18,107
Financial liabilities at fair value through profit or loss	38,096	18,107

* The item includes the interest in the mutual funds that are consolidated in the financial statements of the Savings Banks Group held by owners not consolidated into the Savings Banks Group. More information on the consolidated funds is presented in Financial statements note 23 Structure of the Savings Banks Group's.

NOTE 11. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are classified into measurement categories on initial recognition. The measurement category defines subsequent measurement of a financial asset or liability.

CLASSFICATION AND MEASUREMENT OF FINANCIAL ASSETS

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.

Assesment 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. The cash flow criteria is assessed separately for each instrument and 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.

FINANCIAL ASSETS – MEASUREMENT CATEGORIES AND PRINCIPLES FOR CLASSIFICATION

Amortised cost

A financial asset is measured at amortised cost when 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.

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.

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.

Financial assets that are 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 review period.

Classification and measruement of financial liabilities

Financial liabilities are classified into following measurement categories for the purposes of subsequent measurement:

- amortised cost
- fair value through profit or loss.

Financial liabilities are principally measured at amortised cost. Derivative contracts and other investors' participation in consolidated funds are measured at fair value through profit or loss.

The table below presents financial assets and libilities by balance items broken down into measurement categories for continuing operations.

31.12.2023

(EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Non-financial assets/ liabilities	Total
Cash and cash equivalents	6,927		1,424,785		1,431,712
Loans and advances to credit institutions	179,140				179,140
Loans and advances to customers	9,539,056		149		9,539,206
Derivatives					
hedging derivatives					
cash flow hedges					
fair value hedges			16,649		16,649
other than hedging derivatives					
Investment assets	77,706	547,155	250,751	19,610	895,223
Assets covering unit-linked contracts			908,402		908,402
Total assets	9,802,830	547,155	2,600,737	19,610	12,970,332
Financial liabilities at fair value through profit or loss			38,096		38,096
Liabilities to credit institutions	620,868				620,868
Liabilities to customers	7,016,823				7,016,823
Derivatives					
hedging derivatives					
cash flow			20		20
fair value hedges			174,081		174,081
other than hedging derivatives			115		115
Debt securities issued	2,946,738				2,946,738
Unit-linked contract liability			420,446		420,446
Subordinated liabilities	3,257				3,257
Total liabilities	10,587,686		632,757		11,220,443

Offsetting of financial assets and 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.

31.12.2023				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	Carrying amount of financial instruments in balance sheet, net	Cash received as collateral	Cash paid as collateral	Net amount
Assets							
Derivative contracts	31,810	-50	31,760	22,908		9,350	
Total			31,760				
Liabilities							
Derivative contracts	219,649	-50	219,599	22,908		84,329	112,362
Total			219,599				

31.12.2022 (EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Non-financial assets/ liabilities	Total
Cash and cash equivalents	6,948		1,200,500		1,207,448
Loans and advances to credit institutions	205,047				205,047
Loans and advances to customers	9,024,296		143		9,024,439
Derivatives					
hedging derivatives					
cash flow hedges					
fair value hedges			89		89
other than hedging derivatives					
Investment assets	61,201	562,311	138,679	22,460	784,650
Life insurance assets*		139,269	858,372	8,942	1,006,583
Total assets	9,297,492	701,579	2,197,784	31,401	12,228,256
Financial liabilities at fair value through profit or loss			18,107		18,107
Liabilities to credit institutions	450,946				450,946
Liabilities to customers	6,994,366				6,994,366
Derivatives					
hedging derivatives					
cash flow hedges			224		224
fair value hedges			263,085		263,085
other than hedging derivatives			113		113
Debt securities issued	2,756,666				2,756,666
Life insurance liabilities*	87,677		859,814	3,440	950,931
Subordinated liabilities	2,142				2,142
Total liabilities	10,291,796		1,141,344	3,440	11,434,438

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

31.12.2022				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	Carrying amount of financial instruments in balance sheet, net	Cash received as collateral	Cash paid as collateral	Net amount
Assets							
Derivative contracts	13,466		13,466	12,548		320	598
Total			13,466				
Liabilities							
Derivative contracts	276,426		276,426	12,548		118,521	145,357
Total			276,426				

NOTE 12. DERIVATIVES AND HEDGE ACCOUNTING

The Savings Banks Group uses derivative contracts to hedge its interest rate risk from changes in fair value and cash flows and applies hedge accounting to hedging relationships. Fair value hedging is applied to hedges of fixed interest rate deposits. Cash flow hedging is applied when hedging the future interest cash flow from variable rate lending. The aim of hedging is to stabilise net interest income and to neutralise potential change in the fair value of assets and liabilities.

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 the hedging period even if it would otherwise be measured at amortised cost. A change in the hedged item's fair value is recognised in the balance sheet as an adjustment to the balance sheet item 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 hedging instrument reserve in equity, adjusted with deferred taxes. The ineffective portion of fair value change is recognised directly 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 on a regular basis and always on reporting dates.

Presented below are fair values of derivative contracts together with nominals divided into categories based on remaining maturity for continuing operations.

31.12.2023	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1 – 5 years	more than 5 years	Total	Assets	Liabilities
Non-hedging derivative contracts						
Interest rate derivatives	5,000			5,000		1
Hedging derivative contracts						
Fair value hedging*						
Interest rate derivatives	191,000	2,973,000	253,000	3,417,000	16,649	174,194
Cash flow hedging**						
Interest rate derivatives	10,000			10,000		20
Total	206,000	2,973,000	253,000	3,432,000	16,649	174,215

* Fixed rate deposits (Liabilities to customers) designated as hedged items in fair value hedging have total nominal value of EUR 969,000 thousand and total carrying value of EUR 940,409 thousand.The fair value adjustment resulting from the hedge calculation for the hedged balance sheet item was EUR 28,549 thousand decreasing the book value. Fixed rate issued bonds (Debt securitues issued) designated as hedged items in fair value hedging have total nominal value of EUR 2,248,000 thousand and total booking value of EUR 2,243,171 thousand. he fair value adjustment resulting from the hedge calculation for the balance sheet item subject to hedging was 109,902 thousand decreasing the book value. Nominal values of hedging instruments equal to the nominal values of hedged items.

** Variable rate loans (Loans and advances to customer) designated as hedged items in cash flow hedging have total nominal value of EUR 10,000 thousand and total booking value of EUR 10,000 thousand. Nominal values of the hedging derivative contracts equal to the nominal values of the hedged items.

The effective part of the cash flow hedges amounting to EUR -1 thousand was recognised in other comprehensive income and the ineffective part amounting to EUR 141 thousand was recognised in profit or loss. The effective part of cash flow hedges transferred from other comprehensive income to profit or loss was EUR 50 thousand during the reporting period.

HEDGED CASH FLOWS ARE EXPECTED TO AFFECT PROFIT OR LOSS DURING THE FOLLOWING PERIODS:

(EUR 1,000)	less than 1 year	1 – 5 years	more than 5 years	Total
Interest rate derivatives	-2			-2
Total	-2			-2

31.12.2022	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1 – 5 years	more than 5 years	Total	Assets	Liabilities
Non-hedging derivative contracts	10,000	0	0	10,000	13	0
Interest rate derivatives	10,000			10,000	13	
Hedging derivative contracts						
Fair value hedging*	40,000	2,224,000	908,000	3,172,000	76	263,199
Interest rate derivatives	40,000	2,224,000	908,000	3,172,000	76	263,199
Cash flow hedging**	20,000	10,000		30,000		224
Interest rate derivatives	20,000	10,000		30,000		224
Total	60,000	2,234,000	908,000	3,202,000	89	263,422

HEDGED CASH FLOWS ARE EXPECTED TO AFFECT PROFIT OR LOSS DURING THE FOLLOWING PERIODS:

(EUR 1,000)	less than 1 year	1 – 5 years	more than 5 years	Total
Interest rate derivatives	-14	12		-2
Total	-14	12		-2

NOTE 13. FAIR VALUES BY VALUATION TECHNIQUE

FAIR VALUE MEASUREMENT

The Savings Banks Group measures assets and liabilities at amortised cost or at fair value. Financial assets and liabilities that are classifed as to be measured at fair value are measured at fair value. The break down of financial assets and liabilities into measurement categories is presented in note 11.

“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. The fair values of financial instruments are primarily determined using quotations on a publicly traded market 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 a financial asset.

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. In respect of cash and deposits payable on demand, the nominal value is considered as an approximation of 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

The fair values are divided into three hierarchical levels, depending on how the fair value is defined. 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.

Level 1 consists of fair values that are based on quotes for identical assets or liabilities in active markets. Market is considered active when the prices are available easily and regularly enough. Fair value hierarchy level 1 includes quoted bonds, shares and participations as well as other securities and derivative contracts which are quoted on a public market.

Level 2 consists of fair values that are estimated using valuation techniques or models for which the input data is either directly available on an active market as a e.g. price or can be derived from a e.g. price. Fair values on hierarchy level 2 are based on assumptions which are supported by verifiable market information such as the quoted interest rates or prices of similar instruments. Fair value hierarchy level 2 includes interest rate derivative contracts as well as commercial papers and certificates of deposit.

Level 3 consists of fair values that cannot be derived from public market quotations or through valuation techniques or models which are based on observable market data. Fair values on level 3 are often based on price information received from a third party. Fair value hierarchy level 3 includes investments in unquoted equity instruments and other securities for which there is currently no binding market quotation available. The Savings Banks Group has only limited amount of financial assets that are measured at fair value and belong to level 3.

TRANSFERS BETWEEN THE HIERARCHY 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.

The table presents carrying amounts and fair values of financial assets and liabilities as well as investment properties and break down of fair values into the levels of fair value hierarchy for continuing operations. The vair values presented exclude accrued interest.

31.12.2023	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	1,526,033	1,512,541		13,491	1,526,033
Asset Management Services*	1,058,055	1,044,256		13,799	1,058,055
Derivative contracts					
Banking	16,649		16,649		16,649
Fair value through other comprehensive income					
Banking	547,155	541,800	2,097	3,258	547,155
Measured at amortised cost					
Investments, Banking	77,706	70,756	1,996		72,752
Loans and other receivables, Banking	9,725,124		11,324,344		11,324,344
Total financial assets	12,950,722	3,169,354	11,345,086	30,549	14,544,989
Investment property					
Banking	19,610			33,117	33,117
Total	19,610			33,117	33,117

* Including fair value of investments covering unit-linked policies, which are reported on level 1.
** The other investors' share of the consolidated mutual funds.

31.12.2023	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*	458,542	458,542			458,542
Derivative contracts					
Banking	174,215		174,215		174,215
Measured at amortised cost					
Banking	10,587,686	2,905,561	6,554,614	1,085,937	10,536,112
Total financial liabilities	11,220,443	3,364,103	10,776,779	1,085,937	15,226,819

* 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.

Tapahtumat tasolla 3

Täsmäytys muutoksille, jotka ovat tapahtuneet rahoitusinstrumenteille, jotka kuuluvat tasoon 3.

Financial assets at fair value through profit or loss (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2023	14,980	15,783	30,764
Purchases	1,038	248	1,286
Sales	-1,760	-975	-2,735
Matured during the period	-1,505		-1,505
Changes in value recognised in income statement, realised	-26	-10	-36
Changes in value recognised in income statement, unrealised	-318	-1,246	-1,564
Transfers from level 1 and 2	1,085		1,085
Transfers between levels 1 and 2	-4		-4
Carrying amount 31 December 2023	13,491	13,799	27,290

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

Unrealized changes in fair value of financial assets classifed as measured at fair value through other comprehensive income are accounted for in the fair value reserve included in other comprehensive income.

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2023	4,030		4,030
Purchases			
Sales	-1,458		-1,458
Matured during the period			
Changes in value recognised in income statement, realised			
Changes in value recognised in income statement, unrealised			
Changes in value recognised in comprehensive income statement	-136		-136
Transfers from level 1 and 2	823		823
Transfers to level 1 and 2			
Carrying amount 30 December 2023	3,258		3,258

Realized gains and losses in the income statement are included in the item “Net investment income”.

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

31.12.2023 (EUR 1,000)	Carrying amount	Effect of hypothetical changes' on profit, negative
At fair value through profit or loss		
Banking	13,491	-25
Asset Management Services	13,799	-2,112
	27,290	-2,137
Fair value through other comprehensive income		
Banking	3,258	-44
	3,258	-44
Total	30,549	-2,182

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.

31.12.2022 Financial assets (EUR 1,000)	Carrying amount	Fair value by hierarchy level Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	1,339,322	1,325,991		13,332	1,339,322
Asset Management Services*	858,372	858,372			858,372
Derivative contracts					
Banking	89		89		89
Fair value through other comprehensive income					
Banking	562,311	558,241		4,070	562,311
Asset Management Services*	139,269	123,486		15,783	139,269
Measured at amortised cost					
Investment assets, banking	61,201	57,638			57,638
Loans and advances, banking	9,107,517		10,226,220		10,226,220
Total financial assets	12,068,081	2,923,727	10,226,310	33,185	13,183,221
Investment property					
Banking	22,352			37,219	37,219
Total	22,352			37,219	37,219

* Including fair value of investments covering unit-linked policies, which are reported on level 1.
** The other investors' share of the consolidated mutual funds.

31.12.2022 Financial liabilities (EUR 1,000)	Carrying amount	Fair value by hierarchy level Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	18,107	18,107			18,107
Asset Management Services*	859,814	859,814			859,814
Derivative contracts					
Banking	263,422		263,422		263,422
Measured at amortised cost					
Banking	10,046,968	2,696,266	6,280,176	928,124	9,904,566
Total financial liabilities	11,188,311	3,574,187	6,543,598	928,124	11,045,909

* 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 measured at fair value through profit or loss (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2022	9,794		9,794
Purchases	5,009		5,009
Sales	-690		-690
Matured during the period	-504		-504
Changes in value recognised in income statement, realised	-56		-56
Changes in value recognised in income statement, unrealised	-222		-222
Carrying amount 31 December 2022	13,332		13,332

Changes in fair value recognised in the income statement are presented 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.

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2022	1,287	14,891	16,178
Purchases	263	1,380	1,643
Sales	-1,425	-225	-1,650
Matured during the period	2		2
Changes in value recognised in income statement, realised	-3,423	-5	-3,428
Changes in value recognised in income statement, unrealised			
Changes in value recognised in comprehensive income statement	2,796	-258	2,538
Transfers from level 1 and 2	4,571		4,571
Transfers to level 1 and 2			
Carrying amount 31 December 2022	4,070	15,783	19,853

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".

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

31.12.2022 (EUR 1,000)	Carrying amount	Negative effect of hypothetical changes' on profit
At fair value through profit or loss		
Banking	13,332	-55
Total	13,332	-55
Fair value through other comprehensive income		
Banking	4,070	-76
Asset Management Services	15,783	-2,374
Total	19,853	-2,450
Total	33,185	-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 11. INSURANCE 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 contract in such a way that the policyholder 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.

Insurance policies concerning loan insurance granted by the Savings Banks Group are classified as insurance contracts because they always entail a significant insurance risk. Savings and pension insurance policies granted are classified as either insurance contracts or investment contracts. Savings and pension insurance policies have a significant insurance risk and are classified as insurance contracts when, according to the Savings Banks Group's estimate, the benefit payable in the event of death exceeds 105% of the value of the insurance savings (significant mortality risk) or is less than 95% of the value of the insurance savings (significant longevity risk).

The Savings Banks Group's insurance contracts are treated in the Savings Banks Group's financial statements in accordance with the IFRS 17 Insurance Contracts standard. The IFRS 9 Financial Instruments standard is applied to contracts classified as investment contracts. Reinsurance policies are treated in accordance with IFRS 17 as insurance contracts.

RECOGNITION OF INSURANCE CONTRACTS

Insurance contracts are divided into portfolios. The contracts in each portfolio are subject to similar risks and are managed together. The portfolios are further divided into the following groups on the basis of the revenue expectations on the date of initial recognition of the contracts:

- contracts that are loss-making at the time of initial recognition
- contracts that are not loss-making at the time of initial recognition; and
- other contracts.

The Savings Banks Group determines the loss component of insurance contracts at the contract level on the basis of the estimated future cash flows arising from the performance of the contract. In connection with the transition to IFRS 17 and initial recognition, the Savings Banks Group has only identified contracts that are loss-making at the time of initial recognition and contracts that are not loss-making at the time of initial recognition.

The insurance contract groups are divided into annual cohorts according to the date of initial recognition. Each annual cohort contains insurance contracts whose initial recognition dates are no more than one year apart. A single cohort constitutes an IFRS 17-compliant insurance contract group to which the IFRS 17 recognition and measurement requirements apply.

Each group of granted insurance contracts is recognised in accounting on the earliest of the following dates:

- the date on which the insurance period of the insurance contract group begins,
- the date on which the first payment from a policyholder in the group is due; or
- for a group of loss-making contracts, the date on which the group becomes loss-making.

A contract is removed from the balance sheet when it expires, i.e. when the obligation specified in the insurance contract expires, is fulfilled or cancelled, or when the contract is amended so that a new contract with new terms and conditions is recognised.

PRESENTATION OF INSURANCE CONTRACTS

The income statement presents insurance premium revenue and insurance service expenses and the insurance service result, comprising of these two, as separate items. In addition, the finance income and expenses of the insurance contracts are presented as a separate line item.

Insurance contract group revenue is presented under insurance premium revenue, on the basis of the measurement of future cash flows, the service margin and the separate risk adjustment for non-financial risks. Insurance premium revenue is recognised for the reduction of the liabilities of the remaining insurance period as a result of services provided during the reporting period.

Insurance service expenses include actual compensation and other expenses, the change in the liabilities arising from actual insurance events, insurance contract acquisition costs and the change of the loss component in the change in the liabilities of the remaining insurance period.

The finance income and expenses of the insurance contracts are items arising from financial risk and the discounting of insurance contract liabilities and the resulting change in the carrying amount of insurance contract liabilities. The Savings Banks Group presents the finance income and expenses of the insurance contracts entirely in the income statement.

The rights and obligations arising from insurance contracts are netted and the net amount is presented on the balance sheet as either assets or liabilities at the portfolio level.

INSURANCE SERVICE RESULT

(EUR 1,000)	31.12.2023	31.12.2022
Insurance premium revenue		
Expected claims incurred	3,543	3,139
Expected other directly allocated insurance service costs	13,458	13,518
Changes in risk adjustment (other than adjustments related to funding risks)	583	669
Contractual service margin of services produced during the period	2,381	1,901
Experience adjustments	-1,120	-1,160
Total insurance premium revenue*	18,845	18,067
Insurance service expenses		
Actual claims incurred	2,264	2,512
Actual other directly allocated insurance service costs	13,377	13,427
Onerous contracts	-1,815	1,940
Changes arising from insurance events occurred in services for past periods	392	-115
Total insurance service expenses*	14,218	17,764
Total net income from reinsurance contracts	871	1,375
Insurance service resul	3,756	-1,072

* Includes insurance premium revenue and insurance service expenses calculated according to the general measurement model (GMM) and the variable fee approach (VFA).

NET INSURANCE FINANCE EXPENSES

(EUR 1,000)	31.12.2023	31.12.2022
Unwinding of discount of insurance liability	17,142	-2,268
Change in financial assumptions	15,350	-73,088
Other changes	343	-261
Total net insurance finance income / expenses*	32,835	-75,617

SERVICE MARGIN REVENUE RECOGNITION, MATURITY DISTRIBUTION:

(EUR 1,000)	31.12.2023	31.12.2022
1 year	2,231	1,749
2 years	1,856	1,434
3 years	1,545	1,186
4 years	1,287	991
5 years	1,077	836
6–7 years	1,662	1,318
8–10 years	1,642	1,356
11–13 years	937	834
14–20 years	929	809
Over 20 years	1,078	765
Total	14,244	11,278

* Includes insurance premium revenue and insurance service expenses calculated according to the general measurement model (GMM) and the variable fee approach (VFA).

MEASUREMENT OF INSURANCE CONTRACTS

The IFRS 17 standard identifies three different measurement models for insurance contracts: the general measurement model, the variable fee approach and the simplified premium allocation approach.

Insurance contracts that do not include a direct entitlement to the contract surplus are measured in accordance with the general measurement model. Such contracts include insurance contracts issued by the Savings Banks Group in connection with loan insurance. On the initial recognition date, the insurance contract group's balance sheet value consists of the following:

- the fulfilment cash flows adjusted for the time value of money,
- a risk adjustment reflecting uncertainties concerning the timing and amount of cash flows, and
- a service margin representing the unearned profit of insurance contracts.

Service margin revenue is recognised over the validity of the insurance contract. If the service margin is negative, the loss component is recognised as an expense in the income statement at the time of initial recognition.

At the end of the reporting period, the measurement of each insurance contract group is carried out using up to-date estimates of future cash flows and the contractual service margin.

The carrying amount of the insurance contract group at the end of the reporting period is the sum of the liabilities of the remaining insurance period and the liabilities arising from actual insurance events. The liabilities of the remaining insurance period is the present value of the cash flows related to future service at the time of reporting plus the contractual service margin and the risk adjustment. The liabilities arising from actual insurance events includes the cash flows of outstanding insurance compensation related to the actual insurance events.

Insurance contracts with a direct entitlement to the contract surplus are measured using the variable fee model. The variable fee approach differs from the general model when it comes to the measurement of the service margin of insurance contracts. In the variable fee approach, the service margin change on the reporting date includes a share of the change in the fair value of the underlying investments.

In the Savings Banks Group, the variable fee approach is applied to pension and savings insurance products that entered into force before 1 January 2018 and that include a direct entitlement to the contract surplus. The Savings Banks Group's pension and savings insurance contracts that have entered into force after that date are, by nature, unit-linked contracts that do not have any insurance risk. These contracts are measured and recognised as investment contracts in accordance with the IFRS 9 Financial Instruments standard.

The premium allocation approach may be used if the insurance period of a contract in the insurance contract group does not exceed one year or if insurance contract liabilities measured according to the premium allocation approach do not materially differ from insurance contract liabilities calculated on the basis of the general model. The premium allocation approach does not include a separate contractual service margin component like the other measurement models. The Savings Banks Group applies the premium allocation approach to reinsurance contracts in its possession.

DETERMINATION OF CASH FLOWS

The measurement of the insurance contract group takes into account all future cash flows arising from the performance of the insurance contract, provided that they are within the limits of the contract. In the determination of cash flows, all information concerning the amount, timing and uncertainty of cash flows that is available without unreasonable costs is taken into account. In addition, the estimates of cash flows must be up to date, in other words, must reflect the conditions prevailing at the time of reporting.

Cash flows within the limits of the insurance contract are cash flows directly related to the performance of the contract, including cash flows for which the Savings Banks Group has discretion as to the amount or timing. Cash flows arising from the performance of the contract include premiums received from the policyholder, insurance compensation payable to the policyholder and insurance acquisition expenses. Furthermore, cash flows include other operating expenses that can be allocated directly to insurance contracts.

When it comes to expenses other than those allocated directly to insurance contracts, the management assesses separately whether the cash flow of the expense item is related to the fulfilment of the insurance contract obligations. The management's assessment is based on various calculations made by the company and an analysis of these calculations.

DETERMINATION OF THE DISCOUNT RATE

The time value of money is taken into account in all of the applied valuation models by discounting the expected future cash flows. The Savings Banks Group has determined the discount rates by using a bottom-up approach, where the applied risk-free interest rates are based on the yield curve determined by EIOPA, to which a liquidity premium calculated on a product group-specific basis is added. All of the Savings Banks Group's current insurance product groups are liquid by nature and therefore the risk-free yield curve is not adjusted with a liquidity premium. For new products, the Savings Banks Group assesses their liquidity characteristics and the need to adjust the risk-free yield curve with a liquidity premium.

For insurance contracts without a direct participation feature, a so called locked-in rate is applied. This means that the discount rate is determined at initial recognition and is applied in the measurement of CSM.

The unwinding of interest rates, the effects of changes in interest rates and other financial assumptions are presented in the income statement as insurance finance income or expenses. The Savings Banks Group has decided not to apply the option allowed under IFRS 17 to recognise these effects in other comprehensive income.

INSURANCE CONTRACT LIABILITIES AND ASSETS

(EUR 1,000)	31.12.2023	31.12.2022
Liabilities for the remaining coverage period	562,423	564,307
Liability for occurred losses	8,964	7,011
Total insurance contract liabilities	571,387	571,318
Total insurance contract assets	1,073	925
Reinsurance contract assets	375	16

INSURANCE CONTRACT LIABILITY CHANGE ANALYSES:

2023 (EUR 1,000)	Liabilities for the remaining coverage period Without the loss component	Loss component	Liability for occurred losses	Total
Insurance contract assets 1 January 2023	1,362	-147	-290	925
Insurance contract liabilities 1 January 2023	-561,673	-2,634	-7,011	-571,318
Insurance contract liability (net) 1 January 2023	-560,311	-2,781	-7,301	-570,393
Insurance premium revenue	18,844			18,844
Actual claims incurred and other directly allocated insurance service expenses			-15,641	-15,641
Changes arising from insurance events occurred in services for past periods			-392	-392
Loss-making contracts		1,815		1,815
Net insurance finance expenses	-32,695	-121	-19	-32,835
Investment component	44,822		-44,822	
Changes recognised in the income statement, total	30,971	1,694	-60,874	-28,209
Cash flows for the financial year				
Insurance premiums received	-30,025			-30,025
Claims paid			44,936	44,936
Payments for expenses directly allocated to insurance contracts			13,377	13,377
Total cash flows	-30,025		58,313	28,288
Insurance contract assets 31 December 2023	2,704	-732	-898	1,074
Insurance contract liabilities 31 December 2023	-562,069	-354	-8,964	-571,387
Insurance contract liability (net) 31 December 2023	-559,365	-1,086	-9,862	-570,313

2022 (EUR 1,000)	Liabilities for the remaining coverage period Without the loss component	Loss component	Liability for occurred losses	Total
Insurance contract assets 1 January 2022	5,772	-1,166	-536	4,070
Insurance contract liabilities 1 January 2022	-662,963		-7,672	-670,635
Insurance contract liability (net) 1 January 2022	-657,191	-1,166	-8,208	-666,565
Insurance premium revenue	18,068			18,068
Actual claims incurred and other directly allocated insurance service expenses			-15,940	-15,940
Changes arising from insurance events occurred in services for past periods			115	115
Loss-making contracts		-1,940		-1,940
Net insurance finance expenses	75,267	325	24	75,616
Investment component	39,606		-39,606	
Changes recognised in the income statement, total	132,941	-1,615	-55,407	75,919
Cash flows for the financial year				
Insurance premiums received	-36,060			-36,060
Claims paid			42,887	42,887
Payments for expenses directly allocated to insurance contracts			13,427	13,427
Total cash flows	-36,060		56,314	20,254
Insurance contract assets 31 December 2022	1,362	-147	-290	925
Insurance contract liabilities 31 December 2022	-561,673	-2,634	-7,011	-571,318
Insurance contract liability (net) 31 December 2022	-560,311	-2,781	-7,301	-570,393

INSURANCE CONTRACT LIABILITY CHANGE ANALYSES:

2023 (EUR 1,000)	Present value of expected cash flows	Risk adjustment	Insurance service margin	Total
Insurance contract assets 1 January 2023	7,947	-861	-6,161	925
Insurance contract liabilities 1 January 2023	-561,918	-4,283	-5,117	-571,318
Insurance contract liability (net) 1 January 2023	-553,971	-5,144	-11,278	-570,393
Changes relating to services during the financial year:				
Service margin recognised in profit or loss			2,381	2,381
Change in risk adjustment recognised in profit or loss for risk expired		583		583
Experience adjustments	239			239
Changes relating to future services:				
Changes in estimates related to the insurance service margin	3,551	368	-3,919	
Changes to the loss component	1,557	258		1,815
Changes relating to past services:				
Changes in estimates related to actual insurance events	-392			-392
Total	4,955	1,209	-1,538	4,626
Finance income and expenses arising from insurance contracts	-32,775		-60	-32,835
Changes in the income statement, total	-27,820	1,209	-1,598	-28,209
Actual cash flows for the period, total	28,287			28,287
Insurance contract assets 31 December 2023	11,852	-1,796	-8,983	1,073
Insurance contract liabilities 31 December 2023	-563,572	-2,555	-5,260	-571,387
Insurance contract liability (net) 31 December 2023	-551,720	-4,351	-14,243	-570,314

2022 (EUR 1,000)	Present value of expected cash flows	Risk adjustment	Insurance service margin	Total
Insurance contract assets 1 January 2022	13,469	-1,970	-7,428	4,071
Insurance contract liabilities 1 January 2022	-665,281	-3,718	-1,636	-670,635
Insurance contract liability (net) 1 January 2022	-651,812	-5,688	-9,064	-666,564
Changes relating to services during the financial year:				
Service margin recognised in profit or loss			1,901	1,901
Change in risk adjustment recognised in profit or loss for risk expired		669		669
Experience adjustments	-442			-442
Changes relating to future services:				
Changes in estimates related to the insurance service margin	2,066	275	-2,341	
Changes to the loss component	-2,044	104		-1,940
Changes relating to past services:				
Changes in estimates related to actual insurance events	115			115
Total	-305	1,048	-440	303
Finance income and expenses arising from insurance contracts	75,594		23	-1,295
Changes in the income statement, total	75,289	1,048	-417	-992
Actual cash flows for the period, total	20,254			20,254
Insurance contract assets 31 December 2022	7,947	-861	-6,161	925
Insurance contract liabilities 31 December 2022	-561,918	-4,283	-5,117	-571,318
Insurance contract liability (net) 31 December 2022	-553,971	-5,144	-11,278	-570,393

MATURITY DISTRIBUTION OF CASH FLOWS

2023 (EUR 1,000)	Insurance contract assets	Insurance contract liabilities	Total (net)
1 year	-1,950	28,397	26,447
2 years	-2,139	23,830	21,691
3 years	-1,788	26,487	24,699
4 years	-1,485	28,797	27,312
5 years	-1,228	29,968	28,740
6–7 years	-1,840	63,081	61,241
8–10 years	-1,655	94,341	92,686
11–13 years	-701	111,529	110,828
14–20 years	-143	170,006	169,863
Over 20 years		216,928	216,928

2022 (EUR 1,000)	Insurance contract assets	Insurance contract liabilities	Total (net)
1 year	-1,616	22,398	20,782
2 years	-1,393	21,536	20,143
3 years	-1,127	24,681	23,554
4 years	-928	27,001	26,073
5 years	-769	29,576	28,807
6–7 years	-1,186	63,413	62,227
8–10 years	-1,161	99,657	98,496
11–13 years	-591	113,945	113,354
14–20 years	-145	197,485	197,340
Over 20 years		257,245	257,245

THE LIFE INSURANCE BUSINESS' EQUITY PRINCIPLE

The objective of the Savings Banks Group's life insurance business is to provide, in the long term, 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 insurance policies the target level for return equals 10-year bonds. The total benefit of an insurance policy refers to the technical or annual interest of the insurance contract and to the additional interest credited to the contract.

NOTE 15. FIXED ASSETS

15.1 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...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.

Software as a Service (SaaS) projects

Cloud-based SaaS arrangements are arrangements in which the Savings Banks Group does not own the software it uses and the software is not installed in the Savings Banks Group's system environment or on its servers. Instead, its use is based on need, and it is accessed via the Internet or other specified data connection.

Direct costs of deployment, such as the configuration and customisation of the software or system that is the subject of the SaaS arrangement, are recognised on the balance sheet only when the SaaS arrangement generates an intangible asset that is recognised on the balance sheet. Typically, a SaaS arrangement does not meet the criteria for intangible assets because the contract does not constitute control for the buyer, as required by IAS 38.13–16.

The accounting treatment of deployment costs arising from SaaS arrangements is determined by the conclusion as to whether the services are separable from access to the software that is the subject of the arrangement and whether the direct deployment costs create an intangible asset. If services are not separable from the software concerned and the criterion for recognising intangible assets is missing, the deployment costs are recorded as an expense for the period during which Savings Banks Group has access to the software concerned.

The services are considered to be separable from access to the software if the Savings Banks Group produces the services with its internal resources or if the Savings Banks Group purchases the services from a third party that is independent of the SaaS provider. When the service is provided by the SaaS provider or when the SaaS provider subcontracts the services to a third party, the service is considered to be separable if it could be provided by another service provider without at the same time giving access to the software that is the subject of the arrangement.

If the service can only be provided by the SaaS provider, the service is not separable from access to the system. In this case, the deployment costs paid for the service are recorded as an expense for the period during which the Savings Banks Group has access to the software that is the subject of the arrangement.

Expenses arising from the construction of interfaces between software that is recorded as intangible assets on the balance sheet and used through a cloud-based service that is controlled by the Savings Banks Group may meet the criteria of an intangible asset.

INTANGIBLE ASSETS

(EUR 1,000)	31.12.2023	31.12.2022
Intangible rights	12,344	11,966
Other intangible assets	44	44
Intangible assets under development	27,505	14,952
Goodwill	729	729
Intangible assets	40,622	27,690

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

31.12.2023 Changes in intangible assets (EUR 1,000)	Goodwill	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	729	85,518	89	14,952	101,288
Increases		802		21,086	21,888
Decreases		-37		-147	-184
Transfers between items		5,461		-8,385	-2,925
Acquisition cost 31 December	729	91,744	89	27,505	120,068
Accumulated amortisation and impairments 1 January		-73,552	-45		-73,597
Amortisation for the financial year		-5,917			-5,917
Other changes		69			69
Accumulated amortisation and impairments 31 December		-79,400	-45		-79,445
Carrying amount 31 December	729	12,344	43,954	27,505	40,622

31.12.2023 Changes in intangible assets (EUR 1,000)	Goodwill	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	729	86,468	453	19,080	106,730
Increases		1,023		10,642	11,665
Decreases		-860	-1	-10,958	-11,820
Transfers between items		2,730		-3,812	-1,082
Exit from Savings Banks Group		-3,843	-362		-4,205
Acquisition cost 31 December	729	85,518	89	14,952	101,288
Accumulated amortisation and impairments 1 January		-70,998	-409		-71,407
Amortisation of the financial year		-8,076			-8,076
Decreases		1,421	1		1,423
Other changes		295			295
Exit from Savings Banks Group		3,807	362		4,169
Accumulated amportisation and impairments 31 December		-73,552	-45		-73,597
Carrying amount 31 December	729	11,967	44	14,952	27,690

During the financial year, a total of EUR 8,5 (1.3) millon in imparment losses was recognised on intangible assets not yet available for use based on the management's estimate of the future recovable amount of the asset not yet available for use.

Testing goodwill for impairment

The goodwill of EUR 729 thousand is allocated in full to the real estate management business acquired in the financial year 2021. Goodwill has been tested for impairment by comparing the carrying amount with the cash flows from the business in question, based on cash flow statements prepared on the basis of long-term plans approved by the management of the business. The forecast period used in the cash flow statements is 11 years and is based on the management's view of the period required until the cash flows from the launched business stabilise at the expected level. The discount rate for cash flows has been set at the 8% yield requirement and the longterm average growth rate has been set at 2%. On the basis of impairment testing, the present value of the cash flows generated by the goodwill exceeds the carrying amount on the balance sheet date, and there is no need to allocate an impairment charge to goodwill.

15.2 PROPERTY, PLANT AND EQUIPMENT

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.

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.

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.

(EUR 1,000)	**31.12.2023**	**31.12.2022**
Owner-occupied property		
Land and water	456	482
Buildings	26,303	25,364
Machinery and equipment	3,220	2,671
Machinery and equipment, finance lease		
Other tangible assets	1,098	934
Advance payments and construction in progress	267	82
Property, plant and equipment	31,344	29,534

31.12.2023 **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	78,082	38,150	1,817	82	118,132
Increases	288	1,250	381	1,274	3,194
Decreases		-1,095	-148		-1,243
Transfers between items	2,687	463		-1,089	2,060
Acquisition cost 31 December	81,057	38,769	2,050	267	122,143
Accumulated depreciation and impairments 1 January	-52,236	-35,479	-884		-88,599
Depreciation for the financial year	-2,080	-963	-114		-3,157
Impairments for the financial year	-199				-199
Decreases	217	893	46		1,155
Accumulated depreciation and impairments 31 December	-54,298	-35,549	-952		-90,799
Carrying amount 31 December	26,759	3,219	1,098	267	31,344

31.12.2022 **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	92,337	39,123	1,989	324	133,774
Increases	570	891	162	325	1,947
Decreases	-4,295	-1,809	-88		-6,193
Transfers between items	434			-567	-133
Exit from Savings Banks Group	-10,964	-54	-246		-11,263
Acquisition cost 31 December	78,082	38,150	1,817	82	118,132
Accumulated depreciation and impairments 1 January	-59,647	-36,090	-1,070		-96,807
Depreciation for the financial year	-2,038	-1,204			-3,243
Impairments for the financial year	-49				-49
Decreases	2,928	1,795	31		4,753
Transfers	-24				-24
Exit from Savings Banks Group	6,595	20	156		6,771
Accumulated depreciation and impairments 31 December	-52,236	-35,479	-884		-88,599
Carrying amount 31 December	25,846	2,671	934	82	29,534

15.3 LEASES

Savings Banks Group as 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 in accordance with IFRS 17 regulation. 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.

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

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.

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.

Right-of-use assets (EUR 1,000)	2023	2022
Property, plant and equipment		
Machinery and equipment	137	92
Real estate	40	40
Apartments	9,147	9,491
IT-systems		
Others		
Total	9,324	9,623

Changes in right-of-use assets (EUR 1,000)	2023	2022
Carrying amount 1 January	9,623	9,319
Depreciations and impaiments	-2,151	-1,656
Increases	3,086	3,658
Decreases	-1,234	-1,699
Carrying amount 31 December	9,324	9,623

Maturity analyses of lease liabilities (EUR 1,000)	2023	2022
Less than one year	3,131	2,964
Between one and five years	6,122	6,449
More than five years	205	208
Total	9,458	9,621

Income statement items (EUR 1,000)	2023	2022
Interest expenses	-42	-40
Depreciations	-2,151	-1,656
Expense relating to short-term leases	-110	-2,015
Expense relating to leases of low-value assets	-60	-205
Total	-2,363	-3,916

Savings Banks Group as 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.

Future minimum lease payments under non-cancellable operating leases receivable (EUR 1,000)	2023	2022
Less than one year	1,208	928
Between one and five years	2,099	885
More than five years	2,185	465
Total	5,492	2,278

NOTE 16. OTHER INCOME AND EXPENSES

16.1 OTHER OPERATING REVENUE

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

(EUR 1,000)	1–12/2023	1–12/2022
Rental and dividend income from owner-occupied property	125	117
Capital gains from owner-occupied property	26	259
Other income from Banking*	11,543	42,098
Other	9,368	2,492
Other operating revenue	21,062	44,966

16.2 OTHER OPERATING EXPENSES

(EUR 1,000)	1–12/2023	1–12/2022
Other administrative expenses		
Other personnel expenses	-6,075	-4,897
Office expenses	-10,699	-8,802
ICT expenses	-52,344	-46,049
Telecommunications	-5,231	-4,597
Information expenses	-1,558	-1,323
Representation expenses	-314	-207
Marketing	-8,795	-6,897
Other admin expenses	-737	-376
Payment card expenses	-10,735	-10,739
Total	-96,488	-83,887
Other operating expenses		
Rental expenses	-2,940	-2,817
Expenses arising from owner-occupied property	-4,513	-4,533
Other operating expenses	-22,833	-19,652
Total	-30,286	-27,003
Other operating expenses	-126,774	-110,889
***Audit fees**		
Statutory audit	-677	-567
Audit related services	-278	-241
Tax advisory	-7	
Other services	-34	-62
Total	-996	-870

NOTE 17. TAXES

17.1 INCOME TAXES

(EUR 1,000)	1–12/2023	1–12/2022
Current tax	-27,667	-15,080
Tax for prior years	-24	-1
Change in deferred tax assets	320	-1,103
Change in deferred tax liabilities	-2,642	-1,142
Income taxes	-30,014	-17,326
Other direct taxes	-28	-60
Total income taxes	-30,042	-17,386
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	135,529	84,154
Differences between accounting and taxable profit	-1,102	-453
Taxable profit	134,427	83,700
Tax using the domestic corporation tax rate	-27,106	-16,831
Tax-exempt income	313	677
Non-deductible expenses	-65	-274
Unrecognised deductible expenses	493	1,267
Unrecognised taxable income	-684	-1,260
Use of approved tax losses for prior years		561
Recognition of previously unrecognised tax losses	-2,969	-1,525
Tax for prior years	-24	-1
Tax expense	-30,042	-17,386
Corporate income tax rate	20%	20%

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.

17.2 DEFERRED TAXES

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.

(EUR 1,000)	31.12.2023	31.12.2022
Deferred tax assets	13,655	18,390
Income tax receivables	1,327	1,673
Tax assets	14,982	20,063
Deferred tax liabilities	60,209	62,341
Income tax liability	7,794	4,113
Tax liability	68,004	66,454

(EUR 1,000)	31.12.2023	31.12.2022
Deferred tax assets		
Impairments	896	738
Financial assets	7,537	14,582
Cash flow hedges		13
Property, plant and equipment	4,762	4,759
Defined benefit pension plans	186	284
Approved tax losses	470	
Other	-197	206
Netting of deferred taxes		-2,193
Total	13,655	18,390

(EUR 1,000)	31.12.2023	31.12.2022
Deferred tax liabilities		
Appropriations	55,191	55,191
Impairments	637	1,246
Financial assets	6,867	5,901
Property, plant and equipment	3,872	2,196
Other	-6,357	
Netting of deferred taxes		-2,193
Total	60,209	62,341

2023

(EUR 1,000)	1.1.2023	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Exit from the Savings bank group	Other	31.12.2023
Deferred tax assets								
Impairment	738	94				65		896
Financial assets	14,582		-8,335				1,290	7,537
Cash flow hedges	13			-13				
Property, plant and equipment	4,759	1,264				-1,261		4,762
Defined benefit pension plans	284				-98			186
Approved tax losses							470	470
Other	206	-403						-197
Netting of deffered taxes	-2,193						2,193	
Total	18,390	954	-8,335	-13	-98	-1,196	3,953	13,655

(EUR 1,000)	1.1.2023	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Exit from the Savings bank group	Other	31.12.2023
Deferred tax liabilities								
Appropriations	55,191							55,191
Impairments	1,246	-726				117		637
Financial assets	5,901		965					6,867
Property, plant and equipment	2,196	269				1,408		3,872
Other	-2,193						-4,164	-6,357
Total	62,341	-457	965			1,525	-4,164	60,209

2022

(EUR 1,000)	1.1.2022	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Exit from the Savings bank group	Other	31.12.2022
Deferred tax assets								
Impairment	701	101				-65		738
Financial assets	3,241		11,413			-69	-3	14,582
Cash flow hedges	9			3				13
Property, plant and equipment	5,384	-571				-54		4,759
Defined benefit pension plans	611				-327			284
Approved tax losses	572	-572						
Other	156	50						206
Netting of deffered taxes	-2,891						698	-2,193
Total	7,784	-992	11,413	3	-327	-187	695	18,390

(EUR 1,000)	1.1.2022	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Exit from the Savings bank group	Other	31.12.2022
Deferred tax liabilities								
Appropriations	55,191							55,191
Impairments	921		351			-24	-2	1,246
Financial assets	8,254		-2,259			-76	-18	5,901
Cash flow hedges	235			-235				
Property, plant and equipment	2,102	94						2,196
Other	-2,891						698	-2,193
Total	63,813	94	-1,907	-235		-100	678	62,341

NOTE 18. CAPITAL AND RESERVES

(EUR 1,000)	31.12.2023	31.12.2022
Basic capital	50,183	25,224
Reserves		
Primary capital	31,452	31,452
Reserve for invested non-restricted equity	210,370	137,588
Reserve fund	24,484	45,091
Fair value reserve	-28,868	-57,215
Reserve for hedging instruments	-1	-51
Other reserves	36,514	65,726
Retained earnings		
Profit (loss) for previous financial years	704,445	862,229
Profit (loss) for the financial year	108,209	67,438
Total equity attributable to equity holders of the Group	1,136,788	1,177,482
Non-controlling interests	1,162	1,365
Total equity	1,137,950	1,178,847

Basic capital

This item includes the paid share capital, cooperative capital and basic capital. If share capital is wholly or partly 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	**2023**
Fair value reserve 1 January	**-57,215**
Profit/loss from fair value measurements, shares and participations	-666
Profit/loss from fair value measurements, securities	34,099
Deferred tax from fair value measurements	-5,084
Reclassified to income statement	
Fair value reserve 31 December	-28,868

Specification of changes in the reserve for hedging instruments	**2023**
Reserve for hedging instruments 1 January	**-51**
Profit/loss from fair value measurements, derivatives hedging cash flow	63
Deferred tax from cash flow hedging	-13
Reclassified to income statement	
Reserve for hedging instruments 31 December	-1

Specification of changes in fair value reserve	**2022**
Fair value reserve 1 January	-1,254
Profit/loss from fair value measurements, shares and participations	1,718
Profit/loss from fair value measurements, securities	-71,342
Deferred tax from fair value measurements	13,663
Reclassified to income statement	
Fair value reserve 31 December	-57,215

Specification of changes in the reserve for hedging instruments	**2022**
Reserve for hedging instruments 1 January	941
Profit/loss from fair value measurements, derivatives hedging cash flow	-1,240
Deferred tax from cash flow hedging	248
Reclassified to income statement	
Reserve for hedging instruments 31 December	-51

NOTE 19. OTHER ASSETS AND LIABILITIES AND PROVISIONS

19.1 OTHER ASSETS

(EUR 1,000)	31.12.2023	31.12.2022
Payment transfer receivables	456	280
Accrued income and prepaid expenses		
Interest	63,447	39,714
Other accrued income and prepaid expenses	19,836	21,536
Other	54,552	41,774
Other assets	138,292	103,303

19.2 PROVISIONS AND OTHER 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.

Changes in provisions (EUR 1,000)	2023	2022
1 January 2020	12,538	4,533
Increase in other provisions	-	-
Decrease in other provisions		
Decrease in other provisions	-345	9,808
31 December		
Increase in defined benefit plans	-304	-1,657
Exit from the Savings bank group		-146
31 December 2020	11,889	12,538

(EUR 1,000)	31.12.2023	31.12.2022
Other liabilities		
Payment transfer liabilities	27,095	27,076
Other liabilities	44,028	40,626
Total other liabilities	71,122	67,701
Accrued expenses		
Interest payable	93,044	24,209
Interest advances received	620	684
Other accrued expenses	31,956	27,935
Total accured expenses	125,620	52,828
Provisions		
Pension provisions	1,242	1,546
Other provisions	10,647	10,992
Total provisions	11,889	12,538
Provisions and other liabilities	208,631	133,067

NOTE 20. COLLATERALS

(EUR 1,000)	31.12.2023	31.12.2022
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans *	3,113,976	3,158,567
Other	220,318	208,580
Collateral given	3,334,294	3,367,147
Collateral received		
Real estate collateral	8,891,862	9,623,120
Securities	85,403	100,415
Other	244,417	215,704
Guarantees received	32,196	38,919
Collateral received	9,253,877	9,978,158

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

NOTE 21. OFF BALANCE-SHEET COMMITMENTS

Guarantees and pledges given as collateral for another party's liabilities are recognised under off-balance sheet commitments. Commitments are recorded in the maximum amount of the guarantee or pledge at any given time. Items considered equivalent to a guarantee include contract, delivery and export commitments and other guarantee commitments given on behalf of the customer in favour of a third party regarding the fulfilment of the customer's identified obligation or compensation obligation, including letters of credit and other commitments given in favour of the seller as collateral for the completion of a movable property transaction.

Binding credit commitments, undrawn credit limits and other similar off-balance-sheet commitments, regardless of maturity, are also recognised under off-balance sheet commitments. Commitments are recorded in the minimum amount that can be expected to be paid on the basis of them.

(EUR 1,000)	31.12.2023	31.12.2022
Guarantees	61,716	73,111
Commitments related to short-term trade transactions	607,281	687,575
Other	11,935	12,306
Off balance-sheet commitments	680,933	772,993

NOTE 22. 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.

Personnel expenses include wages and salaries, pension expenses for defined contribution and defined benefit pension plans and other personnel-related costs.

(EUR 1,000)	1-12/2023	1-12/2022
Wages and salaries	-76,362	-75,948
Pension expenses		
Defined contribution plans	-14,129	-13,105
Defined benefit plans	-440	-551
Other personnel related costs	-3,331	-2,767
Personnel expenses	-94,262	-92,371
Full-time	1,135	1,134
Part-time	94	134
Temporary	104	84
Total	1,333	1,352
Number of employees converted to FTEs*	1,333	1,149
Average number of FTEs during the financial year*	1,230	1,157

* Comparatives include the amounts of Lieto Savings Bank, which is withdrawing from the Savings Bank.

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.

Pension liabilities

Retirement age is 60-65 years. The target pension is 60% of pensionable salary. Pension benefit plans are under the statutory 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.

PENSION LIABILITIES

(EUR 1,000)	31.12.2023	31.12.2022
Present value of obligation	9,356	10,152
Fair value of plan assets	8,114	8,606
Liability in balance sheet 31 December	1,242	1,546
Actuarial assumptions		
Discount rate, %	4.20%	3.90%
Pay development, %	3.50%	3.10%
Pension increase, %	0.00-2.70%	0.00-2.80%

Sensitivity analysis - net liability

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

(EUR 1,000)	31.12.2023	31.12.2022
Change in discount rate +0.50%	-289	-150
Change in discount rate -0.50%	136	182
Change in pay development +0.50%	94	94
Change in pay development -0.50%	-91	-91
Change in pensions + 0.5%	265	321
Change in pensions - 0.5%	-245	-295

Duration based on the weighted average is 12 (13) years.

The Savings Banks Group expects to contribute approximately EUR 751 (708) thousand to defined benefit plans in 2024.

(EUR 1,000)	2023	2022
Current service cost		516
Previous service cost		-18
Net interest		29
	448	527
Items in other comprehensive income		
Costs recognised in income statement	448	527
Remeasurements	90	-1,482
Comprehensive income before tax	537	-955
Present value of obligation 1 January	10,152	14,578
Current service cost	351	516
Previous service cost		
Interest expense	390	144
Actuarial gains (-) / losses (+) arising from experiential adjust-ments		
Actuarial gains (-) / losses (+) arising from changes in economic expectations		-4,625
Actuarial gains (-) / losses (+) arising from changes in demo-graphic assumptions	-17	396
Benefits paid	-412	-377
Effect of plan curtailment	-686	-479
Present value of obligation 31 December	9,356	10,152
Fair value of plan assets 1 January	8,606	11,374
Interest expense	343	115
Return on plan assets excl. items in interest expense/income	-528	-2,748
Benefits paid	-412	-377
Contributions	841	702
Effect of plan curtailment	-737	-461
Fair value of plan assets 31 December	8,114	8,606
Present value of obligation	9,356	10,152
Fair value of plan assets	8,114	8,606
Liability in balance sheet 31 December	1,242	1,546
Liability in balance sheet 1 January	1,546	3,204
Costs in income statement	448	527
Contributions	-841	-702
Remeasurements in comprehensive income statement	90	-1,482
Liability in balance sheet 31 December	1,242	1,546

NOTE 23. GROUP STRUCTURE

23.1 ENTITIES CONSOLIDATED IN SAVINGS BANKS GROUP'S FINANCIAL STATEMENTS

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

Company	Domicile	Ownership 31.12.2023	Ownership 31.12.2022
Technical parent company:			
Säästöpankki Sinetti	Orivesi		
Aito Säästöpankki Oy	Tampere		
Säästöpankki Kalanti-Pyhäranta	Uusikaupunki		
Avain Säästöpankki	Kortesjärvi		
Lammin Säästöpankki	Hyvinkää		
Länsi-Uudenmaan Säästöpankki	Lohja		
Myrskylän Säästöpankki	Myrskylä		
Säästöpankki Optia	Iisalmi		
Helmi Säästöpankki Oy	Lahti		
Someron Säästöpankki	Somero		
Ekenäs Sparbank	Tammisaari		
Nooa Säästöpankki	Helsinki		
Kevlax Sparbank	Koivulahti		
Närpiön Säästöpankki Oy	Närpiö		
Subsidiaries:			
Nooa Savings Bank Ltd	Helsinki	100.00%	100.00%
Central Bank of Savings Banks Finland Plc	Helsinki	100.00%	100.00%
Sp-Fund Management Company Ltd	Helsinki	100.00%	100.00%
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%	100.00%

Company	Domicile	Ownership 31.12.2023	Ownership 31.12.2022
Sp-Koti Oy	Helsinki	100.00%	100.00%
Säästöpankkien Holding Oy	Helsinki	100.00%	100.00%
Sp Mortgage Bank Plc	Helsinki	100.00%	100.00%
Sp-Isännöintipalvelut Oy	Somero	100.00%	100.00%
Consolidated mutual funds:			
Säästöpankki Kiinteistö	Helsinki	32.64%	76.92%
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%	62.82%
Kiinteistö Oy Toritammi-Torgeken Fastighets Ab	Kaskinen	0.00%	56.00%
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.

23.2 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. Kiinteistö mutual fund is consolidated in the Group's financial statements on 31 December 2023 (one at the end of 2022).

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.

	31.12.2023		31.12.2022	
(EUR 1,000)	Total assets	Total liabilities	Total assets	Total liabilities
Total mutual funds	56,554	38,096	78,468	18,107

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.

23.3 INVESTMENTS IN ASSOCIATES

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.

Information on the material associates of the Group:

Nimi	Ownership (%) 31.12.2023	Share of votes (%) 31.12.2023	Ownership (%) 31.12.2022	Share of votes (%) 31.12.2022
Figure Taloushallinto Oy	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: (EUR 1,000)	**Figure Taloushallinto Oy** 2023
Total assets	1,770
Total liabilities	-1,112
Revenue	
Total operating revenue	6,391
Profit or loss	58
Other comprehensive income	
Total comprehensive income	58
Dividends received from the associate during the period	
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	2,883
Group ownership	721
Adjustments	-777

23.4 JOINT ARRANGEMENTS

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.

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. Three 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 2023	Ownership 2022
Kiinteistö Oy Ikaalisten Säästökeskus	Ikaalinen	90.80%	90.80%
Asunto Oy Salamankulma	Turku	0.00%	37.01%
Kiinteistö Oy Liedon Liikekeskus	Lieto	0.00%	85.70%
Kiinteistö Oy Lohjan Pankkitalo	Lohja	100.00%	100.00%
Kiinteistö Oy Iisalmen Pohjolankatu 6	Iisalmi	100.00%	100.00%

23.5 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The table 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 8 (6) mutual funds of Sp Fund Management Company and one of them is included to consolidation per 31.12.2022. The liabilities presented below represent the liabilities to both entities within the Group and other owners.

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 -528 (-1 033) thousand, are included in the profit or loss of the Group. During the financial year, a total of EUR 59 (76) 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.

	31.12.2023			
(EUR 1,000)	**Total assets**	**Total liabilities**	**Group investment**	**Maximum exposure to loss**
Total mutual funds	56,554	56,554	21,937	21,937

	31.12.2022			
(EUR 1,000)	**Total assets**	**Total liabilities**	**Group investment**	**Maximum exposure to loss**
Total mutual funds	78,468	78,468	17,774	17,774

NOTE 24. 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.

2023 (EUR 1,000)

Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	6,767	1,437		8,204
Total assets	6,767	1,437		8,204
Liabilities				
Deposits	2,016	10,038		12,054
Other liabilities	707			707
Total liabilities	2,723	10,038		12,761
Off balance-sheet commitments				
Loan commitments	155	1,002		1,157
Total	155	1,002		1,157
Revenue and expense				
Interest income	195	68		263
Interest expense	12	20		32
Insurance premiums	52			52
Fee and commission income	2	16		18
Other expenses				
Total	261	104		365

* Including key management personnel and their close family members.

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

KEY MANAGEMENT PERSONNEL COMPENSATION

(EUR 1,000)	2023	2022
Short-term employee benefits	5,925	5,943
Post-employment benefits		
Other long-term benefits	536	489
Termination benefits	143	122
Total	6,605	6,554

2022 (EUR 1,000)

Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	5,730	6,745		12,476
Total assets	5,730	6,745		12,476
Liabilities				
Deposits	3,679	2,500	803	6,982
Other liabilities	915			915
Total liabilities	4,594	2,500	803	7,898
Off balance-sheet commitments				
Loan commitments	85	569	300	954
Total	85	569	300	954
Revenue and expense				
Interest income	53	101	2	156
Interest expense	-1			-1
Insurance premiums	227			227
Fee and commission income	2	14	5	21
Other expenses				
Total	281	115	7	403

* Including key management personnel and their close family members.

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

NOTE 25. LIETO SAVINGS BANK'S EXIT FROM THE SAVINGS BANKS GROUP

The Trustees of Lieto Savings Bank approved the corporate restructuring arrangements related to the merger of Lieto Savings Bank and Oma Savings Bank at a meeting of the Trustees on 22 September 2022. Lieto Savings Bank's exit from the Savings Banks Group and the Savings Banks Amalgamation was completed on 28 February 2023.

In accordance with the accounting policy confirmed by the Savings Banks' Union Coop, the IFRS 5 Non-current Assets Held for Sale and Discontinued Operations standard is applied to Lieto Savings Bank's exit in the Savings Banks Group's financial statements for 2023.

Lieto Savings Bank's operating result is presented in the Savings Banks Group's income statement separately from the revenue and expenses of continuing operations and the comparative information has been adjusted accordingly. Lieto Savings Bank's assets and liabilities are presented in the Savings Banks Group's balance sheet as a separate line item under assets and liabilities and, in accordance with the IFRS 5 standard, the comparative information is not adjusted.

PROFIT FOR THE FINANCIAL YEAR FROM DEMERGED OPERATIONS

(EUR 1,000)	1-12/2023	1-12/2022
Total operating revenue	7,257	37,990
Total operating expenses	-4,766	-22,326
Impairment losses on financial assets	140	-1,440
Profit before taxes	2,631	14,224
Taxes	82	-2,972
Profit for the financial year	2,712	11,251

THE KEY BALANCE SHEET ITEMS OF THE DEMERGED OPERATIONS

(EUR 1,000)	31.12.2022
Loans and advances to customers	1,016,646
Loans and advances to credit institutions	13,299
Investment assets	78,808
Other assets	15,807
Total assets	1,369,986
Liabilities to customers	942,741
Liabilities to credit institutions	13,488
Other liabilities	13,586
Total liabilities	969,815

THE KEY CASH FLOWS OF THE DEMERGED OPERATIONS

(EUR 1,000)	31.12.2022
Cash flows from operating activities	38,054
Cash flows from investing activities	-2,348
Cash flows from financing activities	-5,127
Change in cash and cash equivalents	30,578

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 2023. The report and the Financial Statements are presented to the General Meeting of Savings Banks' Union Coop on 14 March 2024.

In Helsinki 14 February 2024

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

Simo Leisti
Member of the Board

Heikki Paasonen
Member of the Board

Veli-Pekka Mattila
Member of the Board

Ulf Sjöblom
Member of the Board

Hannu Syvänen
Member of the Board

Karri Alameri
Managing Director

AUDITOR'S ENDORSEMENT

Our auditor's report has been issued today.

Helsinki, 14 February 2023.

KPMG Oy Ab

Mikko Kylliäinen
Authorised Public Accountant

KPMG Oy Ab
Töölönlahdenkatu 3 A
PO Box 1037
00101 Helsinki, FINLAND

Telephone +358 20 760 3000
www.kpmg.fi

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 2023. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information.

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 IFRS Accounting Standards 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 16 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

Advances to customers (notes 2, 3, 5 and 9 to the financial statements)

— Advances to customers, totaling EUR 9.5 billion, are the most significant item in the Savings Banks Group's consolidated statement of financial position representing 72 percent of the total assets.

— Calculation of expected credit losses in accordance with IFRS 9 Financial Instruments is based on the impairment models used by the company and expert assessments. Calculation of expected credit losses involves assumptions, estimates and management judgement in respect of the probability of credit losses, measurement of collaterals and significant increases in credit risk.

— The elements of accounting for expected credit losses are updated and defined, based on materialized credit risk developments, validation and improvement of the accounting process as well as on regulations and changes therein.

— Due to the significance of the carrying amount involved, complexity of the accounting methods used for measurement purposes and management judgement involved, advances to customers is addressed as a key audit matter.

— We assessed the appropriateness of the recognition and measurement principles, as well as tested controls over recognition and monitoring of impairment losses and measurement of advances to customers.

— We assessed the impairment models and key assumptions for calculating expected credit losses as well as tested the controls related to calculation process and credit risk models for expected credit losses. Our IFRS and financial instruments specialists were involved in the audit.

— We requested other auditors of Savings Banks Group entities to issue an opinion that the entities within Savings Banks Group have complied with the instructions provided by Savings Banks Union Coop in respect of measurement of advances to customers and determination of expected credit losses.

— Furthermore, we considered the appropriateness of the notes provided by Savings Banks Group in respect of advances to customers and expected credit losses.

Investment assets and derivative contracts (notes 2, 3, 9, 11, 12 and 13 to the financial statements)

— The carrying amount of investment assets totals EUR 895 million mainly consisting of investments measured at fair value.. Derivative assets amount to EUR 17 million and derivative liabilities to EUR 174 million comprising primarily contracts held for hedging purposes. Derivatives are measured at fair value in preparing the financial statements.

— The fair value of financial instruments 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.

— With the adoption of IFRS 17 Insurance Contracts, the application of the temporary exemption for the classification of equity instruments and fund investments related to the investment operations of Savings Banks Group's life insurance company was discontinued, resulting in the reclassification of the life insurance company's investments as at fair value through profit or loss in accordance with IFRS 9, and the release from the fair value reserve of the measurement difference previously accumulated on the life insurance company's investments.

— We evaluated the appropriateness of the accounting principles and measurement techniques applied by the Savings Banks Group.

— Our audit procedures included testing controls over the measurement process for financial assets carried at fair value, among others.

— As part of our year-end audit procedures, we compared the fair values used in measurement of investment assets with market quotations and other external price references.

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

Insurance contract liability and adoption of IFRS 17 (notes 2, 3 and 14 to the financial statements)

— The insurance contract liability, totaling EUR 571 million in the Savings Banks Group's consolidated statement of financial position,

— Our audit procedures included assessment of the accounting principles for recognition and measurement of insurance contract is determined using various actuarial assumptions, calculation methods and models.

- The Savings Banks Group has applied IFRS 17 Insurance Contracts from 1 January 2023. IFRS 17 has implications for the measurement, recognition and presentation of the Savings Banks Group's life insurance products in the financial statements. On transition, the figures for the income statement and statement of financial position for the financial year 2022 were restated retrospectively. The impact of the transition is explained in note 2 to the financial statements.
- The carrying amount of the insurance contract liability is substantial and its determination involves complex actuarial models. The adoption of IFRS 17 required significant judgement and interpretation, consequently the insurance contract liability and the adoption of IFRS 17 are addressed as a key audit matter.

liability by reference to the requirements set under IFRS 17.

- In respect of determination of the insurance contract liability, we evaluated the key actuarial methods and the reasonableness of key assumptions (expected cash flows, discount rate, risk adjustment for non-financial risk and determination of coverage units), as well as significant management judgements in the adoption and application of the new standard. Our actuarial specialist was significantly involved in the audit.
- We assessed the opening IFRS 17 statement of financial position as at 1 January 2022 and the transition methods applied.
- Furthermore, we considered the presentation and notes to the financial statements including the IFRS 17 transition disclosures.

Control environment relating to financial reporting process and IT systems

- In respect of the accuracy of the financial statements of Savings Banks Group, the key reporting processes 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 environment related to the financial reporting process and the application controls of individual IT systems hence have a significant effect 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 relating to various aspects in financial reporting process.

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 IFRS Accounting Standards 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 March 2014, and our appointment represents a total period of uninterrupted engagement of 10 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, 14 February 2024

KPMG OY AB

MIKKO KYLLIÄINEN
Authorised Public Accountant, KHT

Postal/visiting address: Savings Banks’ Union Coop, Teollisuuskatu 33, 00510 Helsinki | Registered office: Helsinki

saastopankki.fi