SAVINGS BANKS GROUP'S

HALF-YEAR REPORT 1 JANUARY–30 JUNE 2020

Savings Bank

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Review by the Managing Director

The Savings Banks Group is a growing, wholly Finnish banking group focusing on savings and investments and financing private and corporate customers, already serving nearly half a million private and corporate customers. Now and in the future, our goal is to offer our customers Finland's best combination of digital and face-to-face finance and investment services that yield concrete, long-term benefits for the customer. Our service network is among the biggest in Finland.

We focus especially on customer experience quality, which is the key competitive advantage for Savings Banks when attracting customers. A key operational performance indicator for the Group is customer satisfaction, and related measurements show that the Savings Banks Group is clearly one of the market leaders in retail banking as well as across industry boundaries.

Supporting local communities is important to the Savings Banks Group. A key way of supporting local communities is to finance local small and medium-sized enterprises, and the role of the Savings Banks Group has grown significantly in it. We provide seamless services to companies and their owners with high quality and expertise.

The Savings Bank ideology and spirit spring from savings and investments. We want to promote the financial wellbeing and increasing wealth of our customers through savings and investments. In fact, innumerable customers have prospered successfully over the decades with the support of the Savings Banks Group. We want to continue this work together with our customers.

The COVID-19 pandemic decreased the economic activity of the Savings Banks Group's customers and impaired the Group's financial outlook for 2020. Nevertheless, the pandemic crisis has accelerated the trends that change bank customer behaviour and the nature of retail banking. The role of the Savings Banks in helping their customers overcome the pandemic has already proved to be significant. The Savings Banks Group has helped its customers in the planning of their financing, granted a record-breaking amount of instalment-free periods for loans and actively guided its customers to public financing, support and guarantee services during the pandemic crisis. The Group has also participated in social initiatives to limit the financial effects of the pandemic.

When the coronavirus turned into a pandemic in March, banks quickly had to change their operating models, find new ways of encountering their customers and re-allocate their resources. Some of these changes are certainly here to stay and will provide customers with a flexible, accessible and highly functional way of taking care of banking-related matters. The same trends enhance banks' operational efficiency and improve experts' opportunities of working in flexible and diverse manners.

During the first half of the year, the Savings Banks Group's profit declined significantly year on year, primarily due to lower profit from investment activities. The outlook for the remainder of the year is influenced not only by profit from investment activities but also by credit quality development, which in turn is highly dependent on the Finnish national economy's ability to recover from the pandemic crisis. According to the prevailing main scenario, the Savings Banks Group's profit for the year will be lower than last year but clearly positive.

Tomi Närhinen
CEO, Savings Banks' Union Coop

The Savings Banks Group and the Savings Banks Amalgamation

The Savings Banks Group is the most longstanding banking group in Finland, which consists of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop that acts as the Central Institution and the subsidiaries and associated companies owned jointly by the banks.

The member organizations of the Savings Banks Amalgamation form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 19 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc and the companies within the consolidation groups of the above-mentioned entities, as well as Savings Bank Services Ltd and Sp-Fund Management Company Ltd. The coverage of the Savings Banks Group differs from that of the Savings Banks Amalgamation in that the Savings Banks Group also includes institutions other than credit and financial institutions or service companies. The most notable of these are Sb Life Insurance Ltd and Sp-Koti Oy.

During the review period, one savings bank merger was completed as Huittisten Säästöpankki merged with Aito Säästöpankki. Due to this merger, the number of savings banks in the Amalgamation and in the Group declined from 20 to 19 banks. This merger has no effect on the Group's profit, as it is an intra-group transaction.

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

Description of the operational environment

Global economic outlook

The year 2020 started in an atmosphere of emerging economic optimism. The International Monetary Fund (IMF) predicted that the global economy would grow by 3.3 per cent in 2020, in other words: slightly more than last year. However, during the first weeks of the year, the entire world became aware of the coronavirus that was spreading in China and leading to movement restrictions and the plummeting of economic activity. At the early stages of the spread of the disease, it was believed that the coronavirus epidemic would be limited to China and its global effects would primarily consist of production disturbances as many companies or their subcontractors have production in China.

When the virus started spreading elsewhere, it became evident that this was a global pandemic and the economic outlook collapsed at an unprecedentedly fast rate. The shock was particularly severe because it had a strong impact on both supply and demand nearly simultaneously all around the world. To prevent the spread of the virus, restrictions were placed on people's movement and social contacts. Fear of the disease in itself made consumers cautious. In some countries, factories were closed down but, generally speaking, the field that was hit especially hard by the economic shock was the service sector.

In May–June, the lifting of economy-related restrictions had begun in different parts of the world and economic recovery is taking its first cautious steps. The situation is still fragile and the greatest risk is the potential second wave of the virus. As a whole, the global economy is expected to decline by 5–6 per cent this year. The current estimate is that the worst shock in economy occurred in the second quarter of the year and economies are expected to recover towards the end of the year. However, reaching the starting level will take longer due to the fierceness of the decline.

The euro zone economy entered the coronavirus crisis on a rather fragile foundation: in 2019, the zone's economic growth slowed down to 1.3 per cent. The euro zone economy has suffered drastically from the coronavirus pandemic. However, the situation varies greatly from country to country. Italy, with its already weak economy, was hit particularly hard by the coronavirus. The effect of the lifting of restrictions has already been visible as the first signs of recovery also in the euro zone.

As a result of the coronavirus crisis, the economies in the euro zone have launched massive fiscal stimulus programs, with the aim of helping companies and households overcome the shock caused by the coronavirus and boosting demand after the economies re-open. The European Central Bank has also played an active role and supported the financial market with its measures. The indebtedness rates of the euro zone countries are rising quickly this year. As a whole, the euro zone economy is expected to decline by approximately 7 per cent this year.

The United States faced the coronavirus crisis in a state of clearly faster economic growth than the euro zone, although the growth was slowing down. The unemployment rate had reached a record-low level, under 4 per cent. The coronavirus spread to the United States later than to Europe but the number of coronavirus cases grew rapidly. Like other countries, the United States started to close down its economy, which led to a dramatic decline especially in the service sector and labor market. In a couple of months, the USA's unemployment rate rose from the record-low level to nearly 15 per cent. As usual, the US Federal Reserve took brisk action to ensure the functionality of the financial market, in addition to which fiscal stimulus has been massive. In the United States, too, the indicators forecasting future economic development have taken an upward turn in May–June. As a whole, the US GDP is expected to decline by approximately 6 per cent this year.

Interest rate environment

Interest rates remained at a very low level in the euro zone during the review period. Short-term interest rates rose slightly in March–April as nervousness in the financial market increased, but the situation has calmed down since then. The Euribor interest rates have remained negative and it is expected that the era of negative short-term interest rates will continue for an extended period of time. The coronavirus crisis has only reinforced this view. The risk of accelerating inflation over a short term is very low.

During the review period, relatively significant fluctuation could also be witnessed in long-term interest rates. Germany's 10-year interest rate rose in May but has come down since then. The difference of the government bond interest rates of the South European countries, especially Italy and Greece, when compared to Germany increased rapidly in March but has then decreased.

Investment markets

In the first half of 2020, there was a very strong decline in share prices due to the pandemic. The credit risk margins of corporate bonds also increased as investors sought safe havens when their risk appetites decreased. The collapse of investment markets started from Asia, where the restrictions introduced due to the coronavirus brought economic activity to a standstill. In Europe and the United States, the decline of share prices began in February and expanded quickly to emerging markets, too. The exceptionally intensive stimulus programs of central banks and the public sector returned investor confidence, although economic indicators continued to decline at the same time. From the perspective of investment markets, the second quarter was strong and recovery could be seen in all asset categories. In many stock market sectors, share prices returned to their early-year levels and investor demand in corporate bond markets strengthened until it reached the pre-crisis level.

The Finnish economy

Similarly to other countries of the world, the outlook of the Finnish economy has clearly deteriorated due to the coronavirus crisis. The hardest blow can be seen in the figures for the second quarter. However, the April statistics on retail trade and industrial production, for instance, seem to indicate that the Finnish economy has suffered from the coronavirus shock less than other economies on average.

The greatest decline occurred in the service sector, where activity decreased dramatically in April–May and many employees were laid off temporarily. Instead, industrial production has clearly declined less. Unlike in some countries, any major closing down of factories was not necessary in Finland. As restrictions have been lifted, the situation in the service sector has already improved and consumption is returning to the early-year level. On the other hand, in industry, the worst phase is expected to take place only later this year as the weakness of the global economy keeps export demand at a low level and general uncertainty leads to cautiousness in companies. The Finnish economy is expected to decline by 6–7 per cent this year.

The housing market in Finland

In the housing market, the year started on a positive note. The expected decrease in the trading of old and newly constructed housing did not take place; instead, the number of transactions rose in the first quarter. The number of transactions grew by 5.3 per cent in the old housing market and by 23.8 per cent in the new housing market (source: the price monitoring service of the Central Federation of Finnish Real Estate Agencies). Factors behind the positive sentiment in the housing market included demand that increased already in December 2019, new collective agreements that brought along salary increases and strong consumer confidence in economy.

The impact of the coronavirus started to show in the housing market already in mid-March as demand plummeted. Major underlying reasons for this were the provisions of the Emergency Powers Act and the restrictions on movement to and from the Uusimaa region. Despite this, March was still a strong month in the housing market as most transactions had been agreed on in early March. Demand remained low until mid-April, after which it started to pick up again. The number of visitors to real estate portals (Etuovi.com and Oikotie.fi) grew steadily in April and contact requests from these portals started to increase in mid-April. However, the number of transactions was clearly lower than in the preceding months and in last year's April: the number of transactions decreased by 33 per cent in the old housing market and by 51 per cent in the new housing market. The year-on-year decrease was 31 per cent in Helsinki, 34 per cent in Espoo, 31 per cent in Tampere, 40 per cent in Vantaa, 46 per cent in Turku and 46 per cent in Joensuu.

As demand picked up, the sellers' unwillingness to put their apartments and houses on sale became an obstacle to the increase in the number of housing transactions. The year-on-year decrease in the number of new properties for sale was approximately 40 per cent in April and approximately 30 per cent in May.

In May, the pandemic still affected the housing market considerably. On the basis of HSP's data, trading decreased by 31.5 per cent in the old housing market and by 25 per cent in the new housing market. The year-on-year decrease was 29 per cent in Helsinki, 23 per cent in Espoo, 33 per cent in Tampere, 47 per cent in Vantaa, 36 per cent in Turku and 53 per cent in Joensuu. Towards the end of the month, transaction volumes started to show signs of picking up.

The coronavirus pandemic did not influence the prices of apartments and houses. From April to May, the price of old apartments in apartment blocks increased by 0.6 per cent in the Helsinki Metropolitan Area, by 4.2 per cent in Tampere, by 4.7 per cent in Turku and by 7.2 per cent in Oulu. However, the sales prices of old apartments in these cities vary greatly even in normal market situations. In May, the average price of old apartments in apartment blocks was EUR 4,926 per sq.m. in the Helsinki Metropolitan Area and EUR 2,394 per sq.m. elsewhere in Finland (Turku: EUR 2,825, Tampere EUR 3,101, Oulu EUR 2,278).

In May, as the coronavirus restrictions have been gradually lifted, the housing market has been clearly more active than in April–May, thanks to the lifting of the provisions of the Emergency Powers Act and the return to a nearly normal state of affairs. Furthermore, approximately one million Finns worked from home in April–May, which led many to plan renovating their home or buying a new home.

In addition, the holiday home market was very active throughout the spring and activity still continues. On the basis of HSP's data, the number of holiday home transactions in May increased by more than 32 per cent from May last year.

The slowing down of trading in the new housing market and banks' decreased willingness to be involved in RS financing arrangements have raised construction firms' threshold to start building new properties significantly. Consequently, it is estimated that only approximately 28,000 new homes will be built this year, compared to approximately 40,000 last year.

The forecasting of the housing transactions during the remainder of the year entails a couple of factors that are difficult to predict: the potential second wave of the coronavirus pandemic and the impact of the post-cyclical nature of the export industry on employment in the autumn.

The Savings Banks Group's P/L and Balance Sheet

Savings Banks Group's financial highlights

(EUR 1,000)	1-6/2020	1-6/2019	1-12/2019
Revenue	149,068	193,862	362,701
Net interest income	79,736	77,279	155,619
% of revenue	53.5 %	39.9 %	42,9 %
Profit before taxes	10,637	66,629	94,807
% of revenue	7.1 %	34.4 %	26.1 %
Total operating revenue	132,631	172,965	321,395
Total operating expenses (excluding depreciations)	-112,576	-105,590	-219,145
Cost to income ratio	84.9 %	61.0 %	68.2 %
Total assets	12,695,573	12,551,965	12,009,105
Total equity	1,109,803	1,091,423	1,118,391
Return on equity %	1.4 %	9.6 %	6.9 %
Return on assets %	0.1 %	0.8 %	0.6 %
Equity/assets ratio %	8.7 %	8.7 %	9.3 %
Solvency ratio %	18.4 %	18.7 %	19.1 %
Impairment losses on loans and other receivables	-9,454	-1,624	-8,379

Profit trends (comparison figures 1–6/2019)

The uncertainty in the investment markets caused by the coronavirus pandemic impaired the Savings Banks Group's profit. Profit before tax of the Savings Banks Group was EUR 10.6 million (EUR 66.6 million). Profit for the period was EUR 7.6 million (EUR 50.9 million), of which the share of the owners of the Savings Banks Group was EUR 7.4 million (EUR 50.0 million).

The Group's customer business developed positively. Net interest income totalled EUR 79.3 million (EUR 77.3 million). The increase in net interest income can be attributed to increased lending and the low price of refinancing. The share of derivatives used for the management of interest rate risks of net interest income remained on a par with the comparison period, amounting to EUR 11.3 million (EUR 11.8 million). Net fee and commission income and expenses grew by 9.3% to EUR 48.1 million (EUR 44.0 million). The most significant increase in net fee and commission income was seen in commissions on payment transactions and funds.

The impact of the coronavirus pandemic could be seen especially on the Group's net investment income, which now showed a loss: EUR -9.4 million (EUR 28.1 million). Most of the loss was unrealised changes in the value of financial assets measured at fair value through profit or loss.

Net life insurance income totalled EUR 7.4 million (EUR 8.9 million). Premiums written increased from the comparison period, amounting to EUR 60.0 million (EUR 46.0 million). Claims incurred decreased, amounting to EUR 41.5 million (EUR 51.4 million). However, the net income from life insurance was decreased by net investment income of EUR -36.7 million (EUR 66.2 million), comprised to a significant extent of unrealised changes in the value of financial assets covering unit-linked insurance contracts.

Other operating income amounted to EUR 6.8 million (EUR 14.7 million). The sum for the comparison period includes a capital gain of EUR 11.5 million from the divestment of Samlink shares.

The Group's operating revenue totalled EUR 132.6 million (EUR 173.0 million). The revenue decrease was due to the decrease in net investment income.

Operating expenses grew by 6.6% to EUR 112.6 million (EUR 105.6 million).

Personnel expenses grew by 6.2% to EUR 46.2 million (EUR 43.5 million). The number of personnel on 30 June 2020 was 1,405 (1,422).

Other administrative expenses decreased by 7.3% to EUR 40.9 million (EUR 44.1 million). Other operating expenses were EUR 16.1 million (EUR 8.9 million). The increase is due to the change in the financial stability contribution accounting process.

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets amounted to EUR 9.4 million (EUR 9.1 million). The increase in depreciation and amortisation is due to the increase in development expenses in recent years.

The Group's cost to income ratio was 84.9% (61.0%). The volatility of result caused by unrealised changes in value included in net investment income has a significant impact on the Group's cost to income ratio.

The coronavirus pandemic has had a negative impact on the Savings Banks Group's credit portfolio outlook and increased expected credit losses. The Savings Banks Group updated the macroeconomic factors and scenarios used in the calculation model for expected credit losses were last updated in January 2020, before the outbreak of the coronavirus pandemic. The exceptional uncertainty prevailing in the review period regarding future development and the poorer forecast accuracy of macroeconomic forecast models have required an increasing amount of the management's judgment and estimates. The Savings Banks have analysed significant customer liabilities in the credit portfolio and, when necessary, re-assessed the amount of the customer's expected credit losses (ECL). During the review period, a significant amount of instalment-free periods was granted to customers. At the end of June 2020, 36% of the loan portfolio was on an instalment-free period, amounting to EUR 3.3 billion. Some of the instalment-free periods granted met the loan management adjustment criteria and loan management adjustments grew to EUR 218.0 million (31 Dec. 2019: EUR 23.8 million), increasing expected credit losses by EUR 0.6 million. The Group's expected credit losses totalled EUR 42.7 million (EUR 38.1 million) for loans and receivables and EUR 5.5 million (EUR 3.0 million) for investment assets. The Group's total expected credit losses amounted to EUR 48.2 million (EUR 41.1 million), increasing by EUR 7.1 million from the end of 2019, which decreased profit for the period. Recorded realised credit losses for loans and other receivables totalled EUR 3.2 million (EUR 1.7 million). Impairment on the Group's financial assets increased to EUR -9.4 million (EUR -1.6 million) during the first half of the year.

The quality of the Savings Banks Group's credit portfolio is still excellent and most of corporate credit is secured. The Savings Banks Group does not have significant risk concentrations in the sectors that have especially suffered from the coronavirus pandemic. The Savings Banks Group's non-performing receivables remained at a low level amounting 0,94% (31.12.2019 0,90) of all receivables. The expected credit losses of loans and receivables was 0.50 % (0.47 % 31.12.2019)

Balance sheet and financing
(comparison figures 31 December 2019)

The balance sheet of the Savings Banks Group totalled EUR 12.7 billion on 30 June 2020 (EUR 12.0 billion), representing growth of 5.7% from the turn of the year. The Group's return on assets was 0.1% (0.8%).

Loans and advances to customers amounted to EUR 9.1 billion (EUR 8.9 billion), growing by 2.6% from the turn of the year. Loans and advances to credit institutions amounted to EUR 121.9 million (EUR 110.4 million). The Savings Banks Group's investment assets stood at EUR 1.1 billion (EUR 1.1 billion). Life insurance assets amounted to EUR 913.3 million (EUR 952.0 million).

The Savings Banks Group's liabilities to customers totalled EUR 7.4 billion (EUR 6.8 billion), showing a growth of 9.1%. Liabilities to credit institutions amounted to EUR 489.9 million (EUR 242.0 million). Debt securities issued stood at EUR 2.6 billion (EUR 2.8 billion). Life insurance liabilities amounted to EUR 860.9 million (EUR 892.6 million).

The Savings Banks Group's equity totalled EUR 1.1 billion (EUR 1.1 billion). The share of non-controlling interests of the Group's equity was EUR 28.1 million (EUR 28.6 million). The change in the fair value recorded under other comprehensive income was EUR -14.8 million during the period. The impact of cash flow hedging on the change in equity was EUR -0.1 million. The Group's return on equity was 1.4% (9.6%).

Capital adequacy and risk position

Capital adequacy and leverage ratio

At the end of June 2020, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Own funds totalled EUR 1 028.1 million (EUR 1 025.0 million), of which CET1 capital accounted for EUR 1 017.8 million (EUR 1 002.9 million). The growth of CET1 capital was due to the profit for the period. During the review period, Tier 2 (T2) capital accounted for EUR 10.2 million (EUR 22.1 million), comprised of debentures. Risk-weighted assets amounted to EUR 5 585.6 million (EUR 5 486.3 million), i.e. they were 2.0% higher than at the end of the previous year. The capital ratio of the Savings Banks Amalgamation was 18.4% (18.7%) and the CET1 capital ratio was 18.2% (18.3%).

The capital requirement of Savings Banks Amalgamation was EUR 656.7 million (EUR 605.1 million) that equals to 12.0% of risk-weighted assets. The components of the capital requirement have remained unchanged compared to the previous year. The capital requirement is formed by:

- Minimum capital requirements set by Capital Requirement Regulation that include capital ratio of 8%,
- 2.5% CET1 capital conservation buffer of according to the Act on Credit Institutions,
- 1.25% CET1 pillar 2 requirement of set by the Financial Supervisory Authority and
- the country-specific countercyclical CET1 capital requirements of foreign exposures.

Finnish Financial Supervisory Authority made decision on pillar 2 requirement for the Savings Bank Amalgamation on 4 July 2019 and it came into force on 31 March 2020. As a result pillar 2 requirement for the Savings Bank Amalgamation increased from 0.5% to 1.25% of total risk amount. The requirement percentage is based on the methodology of SREP (Supervisory Review and Evaluation Process) for LSI banks from ECB, where the percentage of additional capital requirement is determined from the overall rating of FSA's assessment. The requirement shall be met at the amalgamation level with CET1 capital. The requirement is valid maximum 3 years until 31 March 2023.

The Finnish Financial Supervisory Authority is responsible for domestic macro prudential decision making after hearing the Bank of Finland, Ministry of Finance and Ministry of Social Affairs and Health. Decisions on the activation of macro prudential instruments are taken on a quarterly basis expect for decisions on O-SII buffers, risk weights for loans secured by mortgages on immovable property (CRR Article 124 and 164) and systematic risk Buffer. Decisions on the activation of these instruments have taken at least once a year.

At its meeting on 6 April 2020, the Board of the Financial Supervisory Authority decided to remove the systemic risk buffer, which lowered the Saving Bank Amalgamation's capital requirement by one percentage point. The aim of the decision is to mitigate the negative effects of the coronavirus pandemic on the stability of financial markets and on credit institutions' ability to finance the economy.

At its meeting on 29 June 2020, the Board of the Financial Supervision Authority decided that the maximum LTC ratio for residential mortgage loans will be adjusted and brought back to the statutory standard level of 90%. The Board of the Financial Supervision Authority also decided that countercyclical capital buffer (CCyB) requirement will remain at 0%. Countercyclical buffer requirement can vary from 0-2.5% of risk weighted assets. FIN-FSA has not imposed additional O-SII capital requirement for Savings Banks Amalgamation.

The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0 per cent risk weight to internal credit institution liabilities included within the scope of the Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010).

The Financial Supervisory Authority has granted permission to the Central Institution of the Amalgamation to waive fully the application of the requirements regarding liquidity set out in part six of Regulation (EU) No 575/2013 and its amending and supplementing acts to the Amalgamation's member credit institutions.

The standard method is used to calculate the capital requirement to the credit risk of the Savings Banks Amalgamation. The capital requirement to the operational risk is calculated by the basic method. The capital requirement relating to the market risk is calculated by the basic method on the foreign exchange position.

Capital adequacy's main items

Own Funds (EUR 1,000)	30.6.2020	31.12.2019
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,058,954	1,066,603
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-41,270	-37,970
Common Equity Tier 1 (CET1) capital	**1,017,684**	**1,028,632**
Additional Tier 1 (AT1) capital before regulatory adjustments	0	0
Total regulatory adjustments to Tier 1 (AT1) capital	0	0
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**1,017,684**	**1,028,632**
Tier 2 (T2) capital before regulatory adjustments	10,267	15,352
Total regulatory adjustments to Tier 2 (T2) capital		
Tier 2 (T2) capital	**10,267**	**15,352**
Total capital (TC = T1 + T2)	**1,027,952**	**1,043,985**
Risk weighted assets	**5,585,626**	**5,475,985**
of which: credit and counterparty risk	4,939,225	4,845,471
of which: credit valuation adjustment (CVA)	116,074	101,758
of which: market risk	30,395	28,824
of which: operational risk	499,932	499,932
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.2 %	18.8 %
Tier 1 (as a percentage of total risk exposure amount)	18.2 %	18.8 %
Total capital (as a percentage of total risk exposure amount)	18.4 %	19.1 %
Capital requirement		
Total capital	1,027,952	1,043,985
Capital requirement total*	656,735	659,725
of which: Pillar 2 additional capital requirement	69,820	27,380
Capital buffer	371,217	384,260

*The capital requirement is formed by the statutory minimum capital adequacy requirement of 8%, the capital conservation buffer of 2.5% according to the Act on Credit Institutions, 1.25% Pillar 2 requirement set by the Financial Supervisory Authority on 31.3.2020 (0.5% on 30.6.2019) and the country-specific countercyclical capital requirements of foreign exposures.

Leverage ratio

The leverage ratio of the Savings Banks Amalgamation was 8,5 % (8.5%). The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Amalgamation's Tier 1 capital to total liabilities. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

Leverage ratio

(EUR 1,000)	30.6.2020	31.12.2019
Tier 1 capital	1,017,684	1,028,632
Total leverage ratio exposures	11,960,383	11,277,336
Leverage ratio	8.5 %	9.1 %

Pillar III note includes the information in accordance with the EU's Capital Requirements Regulation (575/2013) regarding the capital adequacy of the Amalgamation.

Resolution plan

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). Financial Stability Authority decided in August 2019 that the MREL requirement applicable for Savings Banks Amalgamation is 10.3 percentage of total liabilities and own funds. MREL requirement is not applicable for member Savings Banks, SB Central Bank Plc nor for the Sp Mortgage Bank Plc. MREL requirement is a Pillar 2 type requirement to be fulfilled at all times.

Risk position

Risk management and internal control of the Savings Banks Group is a part of the internal control framework applied within the Group and the Amalgamation. It is also at the core of the Group's operational activities. The board of the Central Institution approves the main operating principles and risk strategies. It also decides on the use of necessary means of control in accordance with the operating principles of the Savings Banks Group. It is the responsibility of the Central Institution's Board of Directors to steer the operation of the Amalgamation and, in order to safeguard liquidity and capital adequacy, issue instructions to the member companies on risk management, corporate governance, internal control and compliance with harmonised accounting principles in the preparation of the consolidated financial statements.

The Central Institution approves the principles for the Group's internal control framework. The following functions, which are independent of business operations, have been established within the Central Institution to ensure effective and compre hensive internal control in all the member companies within the Amalgamation and the Group:

- Independent risk control
- Compliance function
- Internal audit

The Central Institution's Risk control function maintains and develops methods for managing risks within the Group. This ensures that all, even new, fundamental but previously uniden tified risks are covered by the risk management of the Group's business lines.

All significant loans or commitments including significant risk are made in accordance with collegial decision-making processes, and there is a lending authority limit structure in place. Internal operational guidelines are used to steer business operations and processes. Compliance with the internal guidelines as well as the updating process of the guidelines is monitored. All decisions and significant business operations are documented and archived. An essential part of risk management is executed in daily supervision. The execution of decisions made is monitored through an approval and verification process, controls and reconciliations together with adequate monitoring and reporting.

The most significant risks affecting the operation of the Group are credit risk, liquidity risk, interest rate risk, operational risk, real estate risk, as well as various business risks.

During the first half of the year the coronavirus pandemic has affected the Savings Bank Group's risk position as an increase in liquidity risk, credit risk and market risk. In the area of liquidity risk, the pandemic has primarily resulted in higher refinancing prices for Savings Bank Group. In the area of credit risk, the number of applications for an instalment-free period and forbearance measures to the loans have increased due to coronavirus pandemic. However, the amount of non-performing loans has remained at a moderate level. Market risk realised via a drop in market prices of equities and fixed income instruments, kleading to a negative effect on profit of Savings Banks' Group and the capital adequacy of Savings Banks Amalgamation during first quarter of 2020. During second quarter the market prices recovered significantly. The capital adequacy of the Savings Banks Amalgamation has remained good. The Group's risks and risk management are described in more detail in the Savings Banks Group's financial statements of 31 December 2019.

Credit rating

S&P Global Ratings (S&P) has changed the outlook for the Central Bank of Savings Banks from stable to negative. The credit rating of 'A-' and a short-term rating of 'A-2' did not change during the review period. The rating was confirmed in May 2020.

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.

Material events after the closing date

On 3 August 2020, the Savings Banks Group and Oma Savings Bank Plc (OmaSp) agreed on the terms and conditions of the transaction, in which OmaSp sells all its shares in Nooa Savings Bank Ltd, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd, Säästöpankkien Holding Oy and Central Bank of Savings Banks Finland Plc to the Savings Banks Group. The realisation of the transaction is subject to the regulatory authorities' approval. The transaction has no impact on the Savings Banks Group's profit for 2020.

Outlook for the year

The Savings Banks Group's financial outlook for the financial year 2020 is influenced not only by profit from investment activities but also by credit quality development, which in turn is highly dependent on the Finnish national economy's ability to recover from the pandemic crisis. According to the prevailing main scenario, the Savings Banks Group's profit for 2020 will be lower than last year but clearly positive.

Operations and profit by business segment

Banking services

Customer satisfaction and customer experience among the Savings Banks' private customers remained strong during the review period. The Net Promoter Score (NPS) for Savings Banks' customer negotiations stood at 88.2% during the first half of the year (February to May 2020). The role of online negotiations with customers and the e-signing of agreements has become more significant in the Savings Banks' private customer business. With this operational transformation, we respond to the change in customer behaviour and Savings Banks' aim to provide their customers with the best package of personal and digital services. The structure of Savings Banks' private customer base showed positive development during the first half of the year. The number of private customers using Savings Banks' services extensively and concentrating their banking in Savings Banks has increased by 1.3% (January to May 2020). The growth has also been strong in residential mortgage loans, where Savings Banks' loan portfolio has outgrown the market. Savings Banks helped their private customers overcome the coronavirus crisis by granting instalment-free periods for approximately 20,000 private customer loans.

Customer satisfaction and customer experience among the Savings Banks' corporate customers remained very strong during the review period. Among corporate customers, the Net Promoter Score (NPS) for Savings Banks' customer negotiations stood at 91.6% during the first half of the year. Savings Banks published a new mobile application for their corporate customers and made the e-signing of agreements possible for corporate customers. Savings Banks reacted quickly to the effects of the coronavirus crisis on companies. One of the response measures was to organise, together with their partner LocalTapiola, several customer webinars dedicated to this topic. In the webinars, experts from Savings Banks, LocalTapiola and other partners described the forms of support available for tackling the effects of the crisis and answered the participants' questions. The quality of the corporate customer base developed favourably during the review period. The number of corporate and forestry and agriculture customers using Savings Banks' services extensively grew by 3.5% (January to May 2020), with the growth increasingly focusing on larger small businesses. The growth is also reflected in the increase in the volume of Savings Banks' lending to businesses and housing corporations, clearly outperforming the average market growth among both customer categories even during the coronavirus crisis. Savings Banks helped their corporate customers overcome the coronavirus crisis by granting instalment-free periods for approximately 3,000 corporate loans and by offering liquidity financing to companies suffering from a cash crisis.

Profit trends (comparison figures 1–6/2019)

The uncertainty in the investment markets caused by the coronavirus pandemic impaired the profit of Banking Operations, although customer business developed very positively. Profit before tax of Banking Operations stood at EUR -3.7 million (EUR 44.9 million). Net interest income was EUR 79.8 million (EUR 74.7 million), representing growth of 3.2%. The growth was due to lower refinancing costs than during the comparison period as well as an increase in the volume of lending. Net fee and commission income and expenses were EUR 33.1 million (EUR 31.0 million), showing an increase of 6.8%. Net investment income turned negative due to the uncertainty caused by the coronavirus crisis, totalling EUR -9.6 million (EUR 31.1 million). Other operating income amounted to EUR 6.7 million (EUR 3.2 million).

Personnel expenses remained on a par with the comparison period, amounting to EUR 32.3 million (EUR 32.3 million). The number of personnel in the Banking Operations segment was 999 (1,082) at the end of the period. Other operating expenses and depreciations grew by 12.4% to EUR 71.9 million (EUR 63.9 million).

The balance sheet for Banking Operations amounted to EUR 11.8 billion (31 Dec. 2019: EUR 11.6 billion), representing growth of 1.3%.

Loans and advances to customers increased by 4.2% to EUR 9.1 billion (31 Dec. 2019: EUR 8.8 billion).

Asset Management Services

The COVID-19 crisis along with its effects on investment markets and on the expectations regarding the growth outlook of companies and the global economy were strongly reflected in the operations of asset management services during the review period. In the uncertain market situation, the Savings Banks Group focused on customer support, high-quality service and customer communications especially using digital channels. The operations of both Sb Life Insurance Ltd and Sp-Fund Management Company Ltd could be carried out without disruption and customer experience remained at a good level. When compared to earlier crises, customers acted more calmly and there were no extensive fund unit redemptions or life insurance products surrenders.

Despite the challenging operational environment, net subscriptions to investment funds managed by Sp-Fund Management Company Ltd were positive. The market share among Finnish fund management companies was 2.6%, increasing by 0.4 percentage points year on year. The number of new continuous fund saving agreements signed increased by 3.9% year on year and 60% (last year: 35%) of fund subscriptions were made electronically.

The fund capital managed by Sp-Fund Management Company Ltd totalled EUR 3.1 billion (EUR 2.6 billion) on 30 June 2020, showing a year-on-year increase of 21%. Taking into account the assets managed in accordance with asset management agreements, the total assets managed by Sp-Fund Management Company Ltd amounted to EUR 3.6 billion (EUR 3.4 billion). Net subscriptions of the Savings Bank funds totalled EUR 50,2 million (EUR 98,8 million). The number of fund unit holders grew by 29% from last year and was 248 077 (191,941) unit holders on 30 June. In terms of the number of unit holders, Sp-Fund Management Company Ltd is the fourth largest fund management company in Finland.

Sp-Fund Management Company Ltd managed a total of 32 investment funds at the end of the review period. On 30 June 2020, the largest fund was the Savings Bank Interest Plus investment fund with capital of EUR 690 million. With 39,342 unit holders, the investment fund was also the largest in terms of the number of unit holders. The Säästöpankki Ryhti investment fund accumulated the largest amount of new capital, with EUR 36 million in net subscriptions.

The most significant factor contributing to the profitability of life insurance operations was investment income. Income from the company's investment assets, on market terms, was -3.4% (+6.9%). After the strong beginning of the year, general uncertainty prevailing from March onwards slowed down the accumulation of endowment insurance premium income in Q2. The demand for risk life insurance remained good, with premium income growing by 22% year on year.

Profit trends (comparison figures 1–6/2019)

Profit before tax for Asset Management Services stood at EUR 14.0 million (EUR 12.7 million).

Net life insurance income was EUR 7.4 million (EUR 8.9 million), representing a year-on-year decrease of 16.9%. Life insurance premium income amounted to EUR 59.7 million (EUR 46.0 million). Claims incurred totalled EUR 41.5 million (EUR 51.4 million). The net investment income from life insurance operations amounted to EUR -36.7 million (EUR 66.2 million).

Net fee and commission income and expenses were EUR 14.9 million (EUR 13.0 million). The amount of net fee and commission income rose due to increased customer assets and managed fund capital.

Operating expenses decreased by 6.9% to EUR 8.4 million (EUR 9.0 million). Personnel expenses were EUR 3.8 million (EUR 3.5 million). Total other operating expenses and depreciations decreased to EUR 4.6 million (EUR 5.5 million). The number of personnel in the Asset Management Services segment on 30 June 2020 was 82 (83).

Life insurance assets amounted to EUR 897.9 million (31 Dec. 2019: EUR 896.0 million). Unit-linked insurance savings on 30 June 2020 amounted to EUR 841.0 million (31 Dec. 2019: EUR 871.0 million).

The balance sheet for Asset Management Services stood at EUR 907.8 million (31 Dec. 2019: EUR 913.2 million).

Further information:

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The figures presented in the half-year report are unaudited.

Releases and other corporate information are available on the Savings Banks Group's website at
www.saastopankki.fi/saastopankkiryhma

Formulas used in calculating the financial highlights:	
Revenues	Interest income, fee income, net trading income, net investment income, net life insurance income, other operating revenue
Total operating revenue	Net interest income, net fee and commission income, net trading income, net investment income, net life insurance income, other operating revenue
Total operating expenses	Personnel expenses, other operating expenses, depreciation and impairment charges on tangible and intangible assets
Cost to income ratio	Total operating expenses / Total operating revenue
Return on equity %	Profit / Equity, incl. non-controlling interests (average)
Return on assets %	Profit / Total assets (average)
Equity/assets ratio %	Equity (incl. non-controlling interests) / Total assets

Alternative Performance Measures

European Securities and Markets Authority's Guidelines on Alternative Performance measures came into effect on 3 July 2016. An alternative performance measure is a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the IFRS framework. Alternative Performance Measures are used to reflect financial development and enhance comparability between different reporting periods.

Savings Bank Group is not using any alternative performance measures or performance measures that are not directly calculated using the information presented in the Half-year Report. There are neither any changes in the performance measures presented in the financial highlights.

RELEASE OF FINANCIAL STATEMENT (IFRS)

Savings Banks Group's income statement

(EUR 1,000)	Note	1-6/2020	1-6/2019
Interest income		91,858	93,200
Interest expense		-12,122	-15,921
Net interest income	4	**79,736**	**77,279**
Net fee and commission income	5	48,116	44,026
Net trading income	6	-9,424	28,057
Net investment income	7	7,435	8,934
Other operating revenue		6,768	14,669
Total operating revenue		**132,631**	**172,965**
Personnel expenses		-46,205	-43,510
Other operating expenses		-56,948	-52,997
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-9,423	-9,084
Total operating expenses		**-112,576**	**-105,590**
Net impairment loss on financial assets	8	-9,454	-1,624
Associate's share of profits		36	879
Profit before tax		**10,637**	**66,629**
Income tax expense		-2,998	-15,688
Profit		**7,640**	**50,941**
Profit attributable to:			
Equity holders of the Group		7,364	49,990
Non-controlling interests		275	951
Total		**7,640**	**50,941**

Savings Banks Group's statement of comprehensive income

(EUR 1,000)	1-6/2020	1-6/2019
Profit	**7,640**	**50,941**
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	-15,953	17,252
Cash flow hedges	-141	200
Total	**-16,094**	**17,452**
Total comprehensive income	**-8,454**	**68,393**
Attributable to:		
Equity holders of the Group	-8,054	65,725
Non-controlling interests	-400	2,669
Total	**-8,454**	**68,393**

Savings Banks Group's statement of financial position

(EUR 1,000)	Note	30.6.2020	31.12.2019
Assets			
Cash and cash equivalents		1,102,018	680,411
Loans and advances to credit institutions	10	121,908	110,450
Loans and advances to customers	10	9,135,195	8,906,493
Derivatives	11	77,961	68,697
Investment assets	12	1,135,608	1,140,782
Life insurance assets	13	913,265	951,962
Investments in associates and joint ventures		266	231
Property, plant and equipment		53,997	57,956
Intangible assets		39,796	37,462
Tax assets		5,800	3,873
Other assets		109,760	50,790
Total assets		**12,695,573**	**12,009,105**
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss		6,806	3,909
Liabilities to credit institutions	14	489,874	242,010
Liabilities to customers	14	7,424,943	6,804,436
Derivatives	11	1,002	3,835
Debt securities issued	15	2,612,503	2,755,856
Life insurance liabilities	16	860,952	892,648
Subordinated liabilities		51,104	51,104
Tax liabilities		56,108	59,955
Provisions and other liabilities		82,478	76,960
Total liabilities		**11,585,770**	**10,890,714**
Equity			
Basic capital		20,337	20,339
Primary capital		34,452	34,452
Reserves		255,551	232,906
Retained earnings		771,388	802,115
Total equity attributable to equity holders of the Group		**1,081,728**	**1,089,812**
Non-controlling interests		28,075	28,579
Total equity		**1,109,803**	**1,118,391**
Total liabilities and equity		**12,695,573**	**12,009,105**

Savings Banks Group's statement of cash flows

(1 000 euroa)	1-6/2020	1-6/2019
Cash flows from operating activities		
Profit	7,640	50,941
Adjustments for items without cash flow effect	40,475	9,676
Income taxes paid	-7,299	-1,746
Cash flows from operating activities before changes in assets and liabilities	**40,816**	**58,872**
Increase (-) or decrease (+) in operating assets	**-302,570**	**-272,207**
Investment assets at fair value through profit or loss	22,282	103,365
Loans and advances to credit institutions	-8,471	-7,891
Loans and advances to customers	-220,252	-276,920
Investment assets, at fair value through other comprehensive income	-62,728	-27,135
Investment assets, at amortized cost	21,800	4,446
Life insurance assets	981	-58,182
Other assets	-56,183	-9,890
Increase (-) or decrease (+) in operating liabilities	**694,663**	**762,296**
Liabilities at fair value through profit or loss		
Liabilities to credit institutions	225,452	45,373
Liabilities to customers	615,936	283,066
Debt securities issued	-150,727	373,534
Life insurance liabilities	1,144	51,084
Other liabilities	2,858	9,238
Total cash flows from operating activities	**432,908**	**548,960**
Cash flows from investing activities		
Other investments	85	3,528
Investments in investment property and in property, plant and equipment and intangible assets	-11,569	-9,759
Disposals of investment property and property, plant and equipment and intangible assets	1,816	1,096
Total cash flows from investing activities	**-9,668**	**-5,136**
Cash flows from financing activities		
Decrease in subordinated liabilities		-7,974
Distribution of profits	-1,356	-1,708
Other monetary decreases in equity items		-4,000
Other	-1,800	
Total cash flows from financing activities	**-3,156**	**-13,682**
Change in cash and cash equivalents	**420,084**	**530,142**
Cash and cash equivalents at the beginning of the period	**721,950**	**861,894**
Cash and cash equivalents at the end of the period	**1,142,034**	**1,392,036**

Cash and cash equivalents comprise the following items:

Cash	1,102,018	1,362,195
Receivables from central banks repayable on demand	40,016	29,840
Total cash and cash equivalents	**1,142,034**	**1,392,036**

Interest received	95,753	101,184
Interest paid	15,925	18,866
Dividends received	3,261	2,874

Savings Banks Group's statement of changes in equity

(EUR 1,000)	Basic capital	Share premium	Primary capital	Fair value reserve	Reserve for hedging instruments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1 January 2019	**20,338**	**34,475**	**60,354**	**-2,858**	**2,552**	**69,760**	**85,483**	**215,291**	**733,762**	**1,003,866**	**24,929**	**1,028,795**
Comprehensive income												
Profit									49,990	49,990	951	50,941
Other comprehensive income				15,850	200			16,051	-316	15,734	1,718	17,452
Total comprehensive income				**15,850**	**200**			**16,051**	**49,674**	**65,725**	**2,669**	**68,393**
Transactions with owners												
Distribution of profits									-1,708	-1,708		-1,708
Other changes				-24			470	445	-445			
Change that didn't result in loss of control		-4,000				15		15	-101	-4,086	28	-4,058
Total equity 30 June 2019	**20,338**	**30,475**	**60,354**	**12,968**	**2,753**	**69,775**	**85,953**	**231,802**	**781,181**	**1,063,797**	**27,626**	**1,091,423**
Equity 1 January 2019	**20,338**	**34,475**	**60,354**	**-2,858**	**2,552**	**69,760**	**85,483**	**249,766**	**733,762**	**1,003,866**	**24,929**	**1,028,795**
Comprehensive income												
Profit									72,949	72,949	1,486	74,436
Other comprehensive income				16,990	-301			16,690	-908	15,782	2,367	18,149
Total comprehensive income				**16,990**	**-301**			**16,690**	**72,042**	**88,732**	**3,854**	**92,585**
Transactions with owners												
Distribution of profits									-1,861	-1,861		-1,861
Other changes	1	-23				456	470	904	-1,821	-918	-203	-1,121
Change that didn't result in loss of control									-7	-7		-7
Total equity 31 December 2019	**20,339**	**34,452**	**60,354**	**14,133**	**2,252**	**70,216**	**85,953**	**267,359**	**802,114**	**1,089,812**	**28,579**	**1,118,391**

(EUR 1,000)	Basic capital	Share premium	Primary capital	Fair value reserve	Reserve for hedging instruments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1 January 2020	**20,339**	**34,452**	**60,354**	**14,133**	**2,252**	**70,216**	**85,953**	**267,359**	**802,114**	**1,089,812**	**28,579**	**1,118,391**
Comprehensive income												
Profit									7,364	7,364	275	7,640
Other comprehensive income				-12,859	-142			-13,000	325	-12,677	-675	-13,352
Total comprehensive income				**-12,859**	**-142**			**-13,000**	**7,689**	**-5,312**	**-400**	**-5,712**
Transactions with owners												
Distribution of profits									-1,257	-1,257	-99	-1,356
Other changes	-2		39,667			-4,380	357	35,643	-37,158	-1,515	-5	-1,520
Total equity 30 June 2020	**20,337**	**34,452**	**100,020**	**1,275**	**2,111**	**65,835**	**86,310**	**255,551**	**771,387**	**1,081,727**	**28,075**	**1,109,803**

BASIS OF PREPARATION

NOTE 1: DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

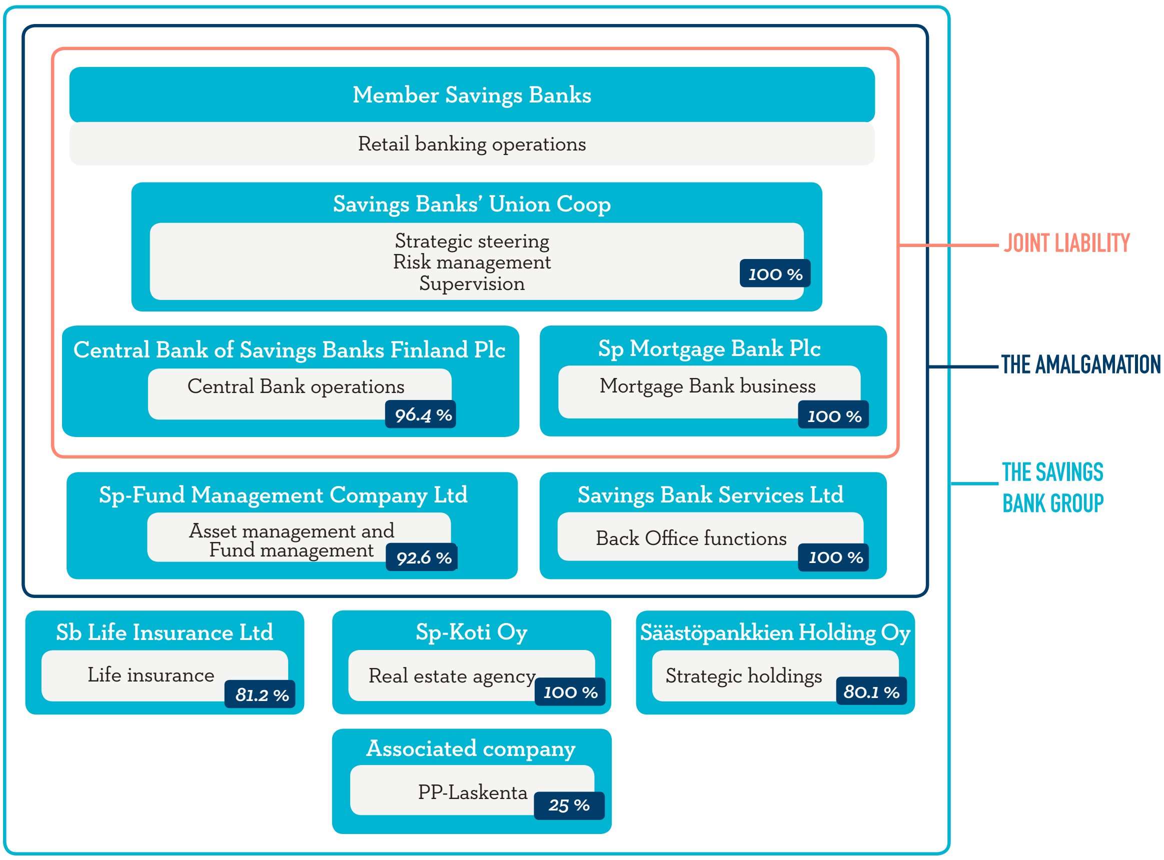
The Savings Banks Group (hereafter Group) is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by Savings Banks. Together the Savings Banks form a banking group that oper-ates 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 Group. The service and product companies within the Group support and promote the operations of the Group via producing centralised services or having responsibility for certain products. The most significant service and product companies of the 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 (hereafter 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 Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 19 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 Group differs from that of the Amalgamation so that the 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.

During the review period, one savings bank merger was completed. Huittisten Säästöpankki merged with Aito Säästöpankki. Due to the merger, the number of savings banks in the Amalgamation and in the Group declined from 20 to 19 banks.

The structure of the Amalgamation and the Group are described in the chart below (the red section represents the joint and sev eral liability, the dark blue section represents the Amalgamation and the turquoise section represents the Group):



Savings Banks' Union Coop steers the operations of the 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 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. All figures presented hereafter are 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 Group's financial statements and half-year report are available at *www.saastopankki.fi/saastopankkiryhma* or at the premises of Savings Banks' Union Coop, address Teollisuuskatu 33, FI-00510 Helsinki.

NOTE 2: ACCOUNTING POLICIES

1. General

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as implemented within the EU.

The half-year report of 1.1.-30.6.2020 has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard. Changes in accounting policies during the financial year are described below. The financial statement 2019 contain the full accounting principles.

The figures of the half-year report have not been audited.

The Group's consolidated financial statements are prepared in euros, which is the accounting and operational currency of the Group. The half-year report is presented in thousand euros unless otherwise stated.

2. Critical accounting estimates and judgments

IFRS-compliant half-year report requires the 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 half-year reports.

The critical estimates of the Group concern the future and key uncertainties related to estimates at the reporting date, and they relate in particular to determining fair value, impairment of financial assets, life insurance liabilities, recognition of deferred tax on confirmed tax losses, and the present value of pension obligations.

In the review period 1 January–30 June 2020, the most significant uncertainty influencing the management's estimates has been the prevailing coronavirus (COVID-19) pandemic. There is considerable uncertainty associated with estimating the financial effects of the coronavirus pandemic, influencing especially the determination of financial assets' expected credit losses (ECL).

The Savings Banks Group's ECL calculation models contain several factors that require the management's judgment. The most significant factors requiring the management's judgment for the review period are listed below:

- The ECL calculation model takes into account the Savings Banks Group's forecasts of future economic development. The forecasts contain macroeconomic factors, such as the development of unemployment, GDP and housing prices, which are used in the calculation. The Savings Banks Group updated the macroeconomic factors and scenarios used in the ECL calculation model during the first half of 2020 before the coronavirus turned into Pandemic. The exceptional uncertainty prevailing in the review period regarding future development and the poorer forecast accuracy of macroeconomic forecast models have required an increasing amount of the management's judgment and estimates..
- The exceptional uncertainty prevailing in the review period regarding future development has required the management's judgment especially in the analysis of major liabilities in Stage 3 and the determination of the ECL amount. In addition, the high amount of instalment-free periods granted to customers has required the further specification of estimates afterwards.

The management's estimates are based on the information that was available at the time of reporting. As a result of the exceptional uncertainty prevailing in the review period regarding future development, there is great uncertainty associated with forecasts, valuations and credit portfolio analyses, which may have a significant impact on the Savings Banks Group's expected credit losses.

BASIS OF PREPARATION

NOTE 3: 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 half-year report 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, Sp Mortgage Bank Plc and Aktia Real Estate Mortgage Bank Plc, which is consolidated in the financial statements of the Savings Banks Group as an associate. Savings Banks practice retail banking. The Central Bank of Savings Banks acts as the central bank of the Savings Banks. Sp Mortgage Bank Plc and Aktia Real Estate Mortgage Bank are engaged in mortgage banking. The most significant income items of Banking are net interest income, fee and commission income as well as investment income. The most significant expense items consist of personnel expenses and other operating expenses.

The Asset Management Services segment comprises Sp- Fund Management Company Ltd and Sb Life Insurance Ltd. Sp-Fund Management Company Ltd is engaged in administration of mutual funds and asset management, whereas Sb Life Insurance Ltd practises life insurance operations. The most significant income items of the Asset Management Services segment are fee and commission income, insurance premiums and investment income. The most significant expense items consist of fee and commission expenses, claims incurred, personnel expenses and other operating expenses.

Segment reporting is prepared in compliance with the accounting policies of the financial statements of the Savings Banks Group.

Internal transactions of the reportable segments are eliminated within and between the segments. Acquisition cost eliminations, non-controlling interests and other intra-group arrangements are included in the eliminations presented in reconciliations.

Pricing between the segments is based on market prices.

In accordance with IFRS 8, Savings Banks Group is required to disclose business with a single external customer that generates 10% or more of the combined revenue. The Group has no such customers for which revenue would exceed 10%.

Income statement 1-6/2020 (EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	79,825	-58	79,766
Net fee and commission income	33,097	14,927	48,025
Net investment income	-9,632	2	-9,630
Net life insurance income		7,435	7,435
Other operating revenue	6,696	59	6,755
Total operating revenue	**109,986**	**22,365**	**132,351**
Personnel expenses	-32,299	-3,835	-36,133
Other operating expenses	-71,902	-4,563	-76,465
Total operating expenses	**-104,201**	**-8,397**	**-112,598**
Net impairment loss on financial assets	-9,470		-9,470
Profit before tax	**-3,685**	**13,967**	**10,282**
Taxes	-197	-2,683	-2,880
Profit	**-3,882**	**11,284**	**7,402**

Statement of financial position (EUR 1,000)			
Cash and cash equivalents	1,102,018		1,102,018
Loans and advances to credit institutions	121,953		121,953
Loans and advances to customers	9,135,611		9,135,611
Derivatives	77,961		77,961
Investment assets	1,163,217		1,163,217
Life insurance assets		897,930	897,930
Other assets	199,378	9,885	209,263
Total assets	**11,800,137**	**907,815**	**12,707,952**
Liabilities to credit institutions	489,874		489,874
Liabilities to customers	7,431,234		7,431,234
Derivatives	1,002		1,002
Debt securities issued	2,612,503		2,612,503
Life insurance liabilities		866,637	866,637
Subordinated liabilities	51,020		51,020
Other liabilities	118,887	8,678	127,565
Total liabilities	**10,704,520**	**875,315**	**11,579,835**
Number of emplyees at the end of the period	**999**	**82**	**1,081**

Reconciliations (EUR 1,000)	1-6/2020	1-6/2019
Total revenue for reportable segments	132,351	164,405
Non allocated revenue, other operations	280	8,560
Total revenue of the Group	**132,631**	**172,965**
Profit		
Total profit or loss for reportable segments	7,402	44,661
Non allocated amounts	237	6,280
Total profit of the Group	**7,640**	**50,941**

	30.6.2020	30.6.2019
Assets		
Total assets for reportable segments	12,707,952	12,569,673
Non allocated assets, other operations	-12,379	-17,709
Total assets of the Group	**12,695,573**	**12,551,965**
Liabilities		
Total liabilities for reportable segments	11,579,835	11,406,064
Non allocated liabilities, other operations	5,935	54,478
Total liabilities of the Group	**11,585,770**	**11,460,542**

Income statement 1-6/2019 (EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	77,346	-53	77,293
Net fee and commission income	30,993	12,992	43,985
Net investment income	31,138	-186	30,952
Net life insurance income		8,934	8,934
Other operating revenue	3,226	15	3,241
Total operating revenue	**142,702**	**21,702**	**164,405**
Personnel expenses	-32,266	-3,544	-35,810
Other operating expenses	-63,943	-5,472	-69,415
Total operating expenses	**-96,209**	**-9,016**	**-105,225**
Net impairment loss on financial assets	-1,625		-1,625
Profit before tax	**44,868**	**12,687**	**57,554**
Taxes	-10,357	-2,536	-12,893
Profit	**34,511**	**10,151**	**44,661**

Statement of financial position 31.12.2019 (EUR 1,000)			
Cash and cash equivalents	1,364,695		1,364,695
Loans and advances to credit institutions	99,697	2,099	101,796
Loans and advances to customers	8,764,111		8,764,111
Derivatives	81,435		81,435
Investment assets	1,180,304	4,999	1,185,303
Life insurance assets		895,923	895,923
Other assets	166,185	10,225	176,411
Total assets	**11,649,715**	**913,247**	**12,569,673**
Liabilities to credit institutions	271,303		271,303
Liabilities to customers	7,242,890		7,242,890
Derivatives	2,907		2,907
Debt securities issued	2,878,970		2,878,970
Life insurance liabilities		858,364	858,364
Subordinated liabilities	74,226		74,226
Other liabilities	75,056	2,348	77,404
Total liabilities	**10,539,173**	**860,712**	**11,406,064**
Number of emplyees at the end of the period	**1,082**	**83**	**1,165**

NOTE 4: NET INTEREST INCOME

(EUR 1,000)	1-6/2020	1-6/2019
Interest income		
Debts eligible for refinancing with Central Bank	1,983	2,035
Loans and advances to credit institutions	151	287
Loans and advances to customers*	71,667	71,324
Debt securities	4,422	5,964
Derivative contracts		
Hedging derivatives	12,644	12,730
Other	991	860
Total	**91,858**	**93,200**
Interest expense		
Liabilities to credit institutions	-1,503	-1,895
Liabilities to customers	-3,572	-5,852
Derivative contracts		
Hedging derivatives	-1,299	-953
Debt securities issued	-5,073	-6,169
Subordinated liabilities	-481	-857
Other	-194	-195
Total	**-12,122**	**-15,921**
Net interest income	**79,736**	**77,279**

NOTE 5: NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-6/2020	1-6/2019
Fee and commission income		
Lending	9,413	10,738
Deposits	104	161
Payment transfers	21,468	18,484
Securities brokerage	566	663
Mutual fund brokerage	14,663	12,992
Asset management	252	243
Legal services	1,901	1,998
Custody fees	899	618
Vakuutusten välityksestä	811	777
Guarantees	987	940
Other	1,365	1,390
Total	**52,430**	**49,002**
Fee and commission expense		
Payment transfers	-1,560	-1,468
Securities	-244	-656
Asset management	-389	-360
Other	-2,095	-2,464
Total	**-4,315**	**-4,976**
Net fee and commission income	**48,116**	**44,026**

NOTE 6: NET INVESTMENT INCOME

(EUR 1,000)	1-6/2020	1-6/2019
Net income from financial assets at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	-112	253
Transferred from fair value reserve to profit or loss for the financial period	225	440
Total Debt securities	**113**	**693**
Shares and participations		
Dividend income	2	56
Total shares and participations	**2**	**56**
Total	**115**	**749**

Net income from financial asset at fair value through profit or loss		
Debt securities		
Capital gains and losses	67	65
Fair value gains and losses	-2,825	1,369
Shares and participations		
Dividend income	3,259	2,818
Capital gains and losses	-308	884
Fair value gains and losses	-9,656	24,375
Net income from foreign exchange operations	38	17
Derivative contracts*)	-87	58
Net income from hedge accounting		
Change in the fair value of hedging instruments	12,418	29,884
Change in the fair value of hedged items	-12,589	-31,840
Total	**-9,681**	**27,629**

* Including the ineffective part of the cash flow hedges EUR 87 thousand (57).

Net income from investment property		
Rental and dividend income	3,299	3,497
Capital gains and losses	423	290
Other income from investment property	35	64
Maintenance charges and expenses	-2,647	-2,489
Depreciation and amortisation of investment property	-947	-1,668
Rental expenses arising from investment property	-21	-16
Total	**142**	**-321**
Net investment income	**-9,424**	**28,057**

NOTE 7: NET LIFE INSURANCE INCOME

(EUR 1,000)	1-6/2020	1-6/2019
Premiums written		
Group's share	60,049	46,264
Insurance premiums ceded to reinsurers	-333	-262
Net investment income *	-36,701	66,196
Claims incurred		
Claims paid	-44,112	-50,703
Change in provision for unpaid claims	2,572	-653
Change in insurance contract liabilities		
Change in life insurance provision	27,006	-50,953
Other	-1,047	-955
Net life insurance income	**7,435**	**8,934**

* Net investment income (EUR 1,000)	1-6/2020	1-6/2019
Net interest	38	53
Dividend income	441	395
Realised capital gains and losses	13	
Unrealised gains and losses	-34,871	64,351
Other investments	69	169
Net income from foreign exchange operation	138	-3
Net income from unit-linked customer assets	-2,530	1,232
Total	**-36,701**	**66,196**

NOTE 8: IMPAIRMENT LOSS ON LOANS AND OTHER RECEIVABLES

Financial asset within the scope of accounting for expected credit losses by impairment stage (EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial asset 30 June 2020				
Investment asset	677,701	5,200	7,698	690,600
Loans and advances	8,588,644	394,275	225,623	9,208,543
Off-balance sheet items	598,058	14,002	6,002	618,062
Total	**9,864,403**	**408,277**	**239,324**	**10,517,205**
Financial asset 31 December 2019				
Investment asset	676,749	1,500	210	678,459
Loans and advances	8,073,404	694,343	207,469	8,975,216
Off-balance sheet items	557,131	20,782	1,640	579,553
Total	**9,307,283**	**716,625**	**209,320**	**10,233,228**

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 2020	**5,767**	**3,675**	**28,609**	**38,051**
Transfers to stage 1	392	-1,329	-21	-957
Transfers to stage 2	-110	618	-73	436
Transfers to stage 3	-1,040	-518	4,924	3,366
Assets derecognised or repaid (excluding write offs)	1,479	67	1,252	2,798
Amounts written off	-319	-261	-1,944	-2,524
Amounts recovered			-3,205	-3,205
Change in credit risk			79	79
Change in model for calculation of ECL	-655	-204	5,587	4,728
Manual adjustment of ECL, exposure level	81	-198		-116
Net change in ECL				4,603
Expected Credit Losses 30 June 2020	**5,595**	**1,851**	**35,208**	**42,654**

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 2020	**1,721**	**1,200**	**107**	**3,028**
Transfers to stage 2	-20	172		152
Transfers to stage 3		-1,200	2,400	1,200
New assets originated or purchased	424		124	548
Assets derecognised or repaid (excluding write offs)	-571		-107	-678
Change in credit risk	1,291			1,291
Net change in ECL				2,514
Expected Credit Losses 30 June 2020	**2,845**	**172**	**2,524**	**5,542**
Total Expected Credit Losses 30 June 2020				**48,196**
Total change in Expected Credit Losses 1 January 2020 -30 June 2020				**7,117**

Expected Credit Losses (ECL), Loans and advances and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2019	**5,209**	**5,374**	**24,563**	**35,146**
Transfers to stage 1	395	-1,856	-58	-1,519
Transfers to stage 2	-262	1,303	-373	668
Transfers to stage 3	-267	-816	5,121	4,038
New assets originated or purchased	1,826	425	876	3,127
Assets derecognised or repaid (excluding write offs)	-749	-646	-6,217	-7,612
Amounts written off			-547	-547
Change in credit risk	-384	-110	5,244	4,750
Net change in ECL				2,931
Expected Credit Losses 31 December 2019	**5,788**	**3,677**	**28,611**	**38,076**

Expected Credit Losses (ECL), Investment asset	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2019	**1,686**			**1,686**
Transfers from Stage 1 to Stage 2	-5	666		661
Transfers from Stage 1 to Stage 3	-9		167	158
New assets originated or purchased	586	534	3	1,123
Assets derecognised or repaid (excluding write offs)	-378		-63	-441
Change in credit risk	-157			-157
Change in model for calculation of ECL	-2			-2
Net change in ECL				1,341
Expected Credit Losses 31 December 2019	**1,721**	**1,200**	**107**	**3,028**
Total Expected Credit Losses 31 December 2019				**41,104**
Total change in Expected Credit Losses 1 January 2019 -31 December 2019				**4,272**

NOTE 9: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30.6.2020 (EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and cash equivalents	1,102,018					1,102,018
Loans and advances to credit institutions	121,908					121,908
Loans and advances to customers	9,134,546		650			9,135,195
Derivatives						
hedging derivatives						
cash flow hedges			2,993			2,993
fair value hedges			74,968			74,968
other than hedging derivatives						
Investment assets	14,473	688,154	391,341		41,640	1,135,608
Life insurance assets*		151,933	758,675		2,657	913,265
Total assets	**10,372,943**	**840,087**	**1,228,627**		**44,297**	**12,485,954**

Financial liabilities at fair value through profit or loss			6,806			6,806
Liabilities to credit institutions				489,874		489,874
Liabilities to customers				7,424,943		7,424,943
Derivatives						
hedging derivatives						
cash flow						
fair value hedges			1,002			1,002
other than hedging derivatives						
Debt securities issued				2,612,503		2,612,503
Life insurance liabilities*			753,725	105,394	1,833	860,952
Subordinated liabilities				51,104		51,104
Total liabilities			**761,533**	**10,683,818**	**1,833**	**11,447,184**

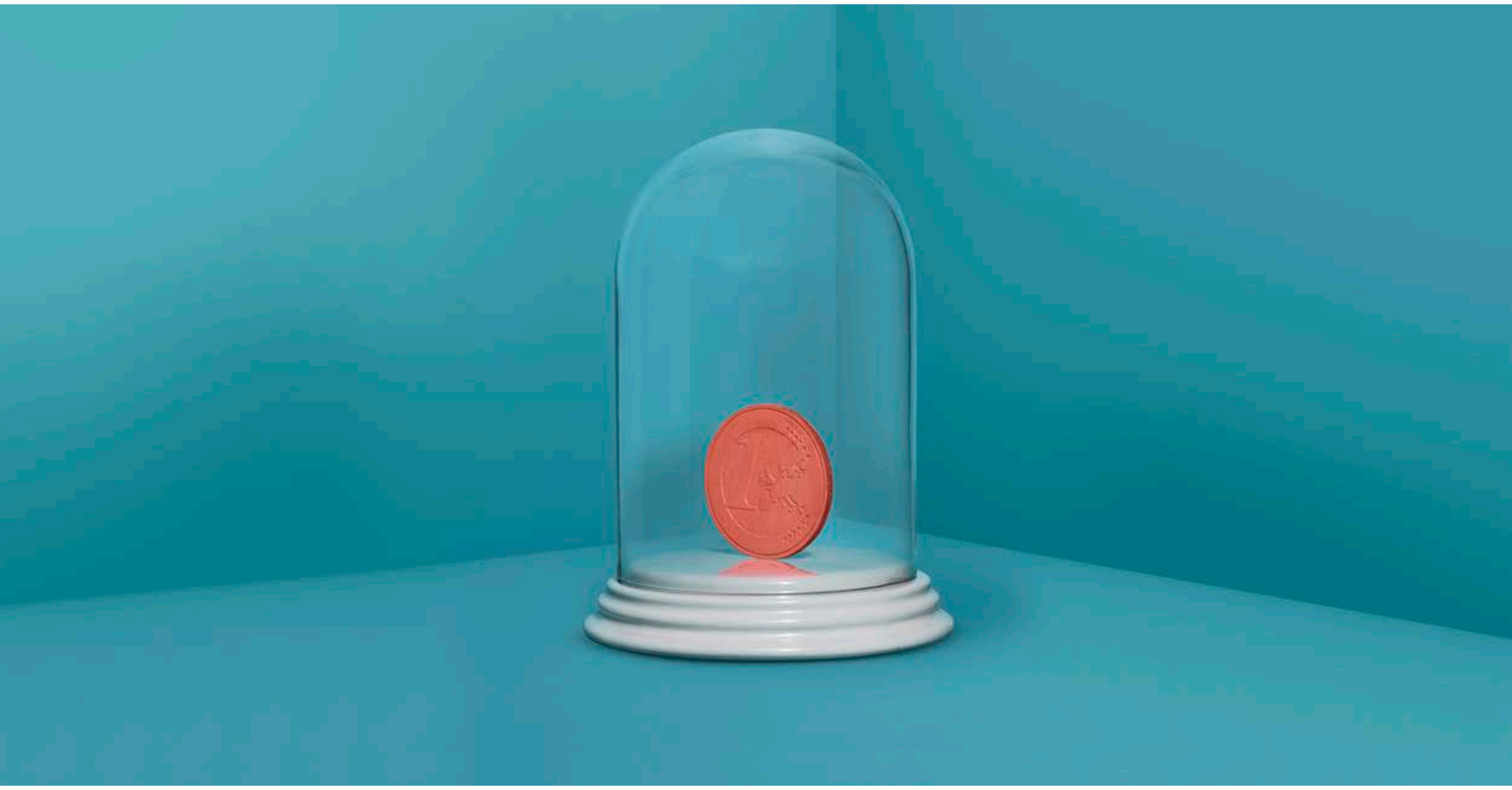
*Items at fair value through profit or loss include investments covering unit-linked contracts and related liabilities.

31.12.2019 (EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and cash equivalents	14,096		666,315			680,411
Loans and advances to credit institutions	110,450					110,450
Loans and advances to customers	8,906,493					8,906,493
Derivatives						
hedging derivatives						
cash flow hedges			3,272			3,272
fair value hedges			65,425			65,425
Investment assets	37,040	640,460	423,209		40,073	1,140,782
Life insurance assets*		166,576	783,930		1,456	951,962
Total assets	**9,068,078**	**807,036**	**1,942,150**		**41,530**	**11,858,794**
Financial liabilities at fair value through profit or loss			3,909			3,909
Liabilities to credit institutions				242,010		242,010
Liabilities to customers				6,804,436		6,804,436
Derivatives						
hedging derivatives						
fair value hedges			3,835			3,835
Debt securities issued				2,755,856		2,755,856
Life insurance liabilities*			778,993	109,619	4,036	892,648
Subordinated liabilities				51,104		51,104
Total liabilities			**786,737**	**9,963,025**	**4,036**	**10,753,798**

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

NOTE 10: LOANS AND ADVANCES

(EUR 1,000)	30.6.2020	31.12.2019
Loans and advances to credit institutions		
Deposits	121,908	110,450
Total	**121,908**	**110,450**
Loans and advances to customers		
Tuotteittain		
Used overdrafts	79,967	83,164
Loans	8,537,264	8,255,218
Interest subsidized housing loans	463,198	433,325
Loans granted from government funds	175	
Credit cards	94,244	97,424
Guarantees	1,374	749
Expected credit losses	-41,027	-36,286
Total	**9,135,195**	**8,833,595**
Loans and advances total	**9,257,103**	**8,944,044**



NOTE 11: DERIVATIVES AND HEDGE ACCOUNTING

The Savings Banks Group hedges its interest rate risk against changes both in fair value and in cash flows and applies hedge accounting on hedging relationships. Fair value hedging is applied when fixed interest rate deposits are hedged. Cash flow hedging is applied when hedging the future interest cash flow from variable rate lending.

Changes in the fair value of derivatives in fair value hedging are recognised in the income statement under "Net investment income". In fair value hedging, also the hedged item is measured at fair value during the hedging period even if the item is otherwise measured at amortised cost. Changes in the fair value of the hedged item are recognised in the balance sheet as an adjustment to the corresponding balance sheet item and in the income statement under "Net investment income". Interests on the hedging derivatives are presented as interest income and expense depending on their nature.

The effective portion of changes in the fair value of derivatives designated in cash flow hedging are recognised within equity in the reserve for hedging instruments after adjustments for deferred taxes. The ineffective portion of changes in fair value are recognised in the income statement under "Net investment income". Interests on hedging derivatives are presented as interest income and expense depending on their nature.

30.6.2020	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	**134,341**	**1,224,000**	**973,000**	**2,331,341**	**74,968**	**1,002**
Interest rate derivatives	110,000	1,224,000	973,000	2,307,000	74,372	407
Equity and index derivatives	24,341			24,341	595	595
Cash flow hedging	**10,000**	**40,000**		**50,000**	**2,993**	
Interest rate derivatives	10,000	40,000		50,000	2,993	
Total	**144,341**	**1,264,000**	**973,000**	**2,381,341**	**77,961**	**1,002**
Derivatives total					**68,697**	**3,835**

In the financial period 1-6/2020, EUR -176 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective part of cash flow hedging totalled EUR 87 thousand and was recognised in Net investment income.

Hedged cash flows are expected to affect profit during the following periods:

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	165	2,828		3,914
Total	**165**	**2,828**		**3,914**

31.12.2019	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	**566,982**	**1,247,020**	**933,000**	**2,747,003**	**65,425**	**3,835**
Interest rate derivatives	535,000	1,241,000	933,000	2,709,000	62,681	1,090
Equity and index derivatives	31,982	6,020		38,003	2,744	2,744
Cash flow hedging		**50,000**		**50,000**	**3,272**	
Interest rate derivatives		50,000		50,000	3,272	
Derivatives total	**566,982**	**1,297,020**	**933,000**	**2,797,003**	**68,697**	**3,835**

Derivatives total	**68,697**	**3,835**

In the financial year 2018, EUR -394 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective part of cash flow hedging totalled EUR -199 thousand was recognised in Net investment income.

Hedged cash flows are expected to affect profit during the following periods:

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	997	1,988		2,985
Total	**997**	**1,988**		**2,985**

NOTE 12: INVESTMENT ASSETS

(EUR 1,000)	30.6.2020	31.12.2019
At fair value through other comprehensive income		
Debt securities	686,717	639,344
Shares and participations	1,437	1,116
Total	**688,154**	**640,460**
At fair value through profit or loss		
Debt securities	32,174	41,405
Shares and participations	359,167	381,804
Total	**391,341**	**423,209**
At mortized cost		
Debt securities	14,523	37,451
Expected credit losses	-50	-412
Total	**14,473**	**37,040**
Investment property	41,640	40,073
Investment assets, total	**1,135,608**	**1,140,782**

NOTE 13: LIFE INSURANCE ASSETS

(EUR 1,000)	30.6.2020	31.12.2019
Investments covering unit-linked policies		
At fair value through profit or loss		
Investment funds	446,056	449,394
Asset management portfolios	121,418	132,781
Other unit-linked covering assets	187,542	197,876
Total	**755,015**	**780,052**
Other investments		
At fair value through profit or loss		
Debt securities	3,660	3,878
Total	**3,660**	**3,878**
At fair value through other comprehensive income (Available-for-sale financial assets)		
Debt securities	1,245	2,075
Shares and participations	150,688	164,501
Total	**151,933**	**166,576**
Other investments total	**155,593**	**170,454**
Total life insurance investments	**910,608**	**950,506**
Other assets		
Premium receivables	84	340
Other receivables	2,222	733
Accrued income	351	383
Total	**2,657**	**1,456**
Life insurance assets	**913,265**	**951,962**

Breakdown of Life Insurance debt securities recognised at fair value through profit or loss, shares and participations as well as derivatives by issuer of quotation

(EUR 1,000)	30.6.2020			31.12.2019		
	Debt securities	Shares and participations	Derivatives	Debt securities	Shares and participations	Derivatives
Quoted	3,660	755,015		3,878	780,052	
From Others	3,660	755,015		3,878	780,052	
Total	**3,660**	**755,015**		**3,878**	**780,052**	

LIABILITIES

NOTE 14: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30.6.2020	31.12.2019
Liabilities to credit institutions		
Liabilities to central banks	104,000	38,000
Liabilities to credit institutions	385,874	204,010
Total	**489,874**	**242,010**
Liabilities to customers		
Deposits	7,367,426	6,751,132
Other financial liabilities	3,510	3,764
Change in the fair value of deposits	54,008	49,539
Total	**7,424,943**	**6,804,436**
Liabilities to credit institutions and customers	**7,914,817**	**7,046,446**

NOTE 15: DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2020	31.12.2019
Measured at amortised cost		
Bonds	982,150	1,246,791
Covered bonds	1,495,606	1,495,065
Other		
Certificates of deposit	134,747	14,000
Debt securities issued	**2,612,503**	**2,755,856**
Of which		
Variable interest rate	750,117	430,364
Fixed interest rate	1,862,386	2,325,493
Total	**2,612,503**	**2,755,856**

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

NOTE 16: LIFE INSURANCE LIABILITIES

(EUR 1,000)	30.6.2020	31.12.2019
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	105,394	109,619
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	492,735	534,454
Liabilities for unit-linked investment contracts	260,990	244,540
Reserve arising from liability adequacy test		
Other liabilities		
Accrued expenses and deferred income	1,529	2,571
Other	874	1,464
Life insurance liabilities	**861,522**	**892,648**

Liabilities related to insurance policies are measured in compliance with the Finnish Accounting Standards. In liability adequacy test, the adequacy of liabilities for insurance policies is compared to the liabilities derived from the internal model. The adequacy test is described in more detail in the accounting policies of the financial statements.

OTHER NOTES

NOTE 17: FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

Financial instruments are presented in the Group's balance sheet at fair value or at amortized cost. The classification of financial assets and liabilities by valuation technique as well as the criteria for measurement methods and for determining fair value are described in the accounting policies.

The fair values of financial instruments are primarily determined using quotations on a publicly traded market or market prices received from third parties. If quoted market prices are not available, balance sheet items are mainly measured by discounting future cash flows using market interest rates at the balance sheet date. In respect of cash and deposits payable on demand, the nominal value is considered equivalent to the fair value.

The Savings Banks Group does not have assets measured at fair value on a non-recurring basis

Fair value hierarchy

Level 1 consists of financial assets, for which the value is determined based on quotes on a liquid market. Market is considered liquid if the prices are available easily and regularly enough. Level 1 includes quoted bonds as well as other securities and listed shares and derivatives which are quoted on public.

Level 2 includes financial assets for which there is no quotation directly available on an active market and whose fair value is estimated using valuation techniques or models. These are based on assumptions which are supported by verifiable market information such as the listed interest rates or prices of similar instruments. This group includes e.g. currency and interest rate derivatives as well as commercial papers and certificates of deposit.

Level 3 includes financial assets whose fair value cannot be derived from public market quotations or through valuation techniques or models which are based on observable market data. Level 3 comprises unquoted equity instruments, structured investments and other securities for which there is currently no binding market quotation available. The fair value at level 3 is often based on price information received from a third party.

Transfers between levels

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such a transfer or when circumstances change.

In the period 1-6/2019, there were no transfers between levels 1 and 2.

30.6.2020	Carrying amount	Fair value by hierarchy level			
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	391,991	371,673	683	19,634	**391,991**
Asset Management Services*	758,675	757,021		1,654	**758,675**
Derivative contracts					
Banking	77,961		77,961		**77,961**
Fair value through other comprehensive income					
Banking	688,154	681,022	4,874	2,259	**688,154**
Asset Management Services*	151,933	144,745		7,189	**151,933**
Measured at amortised cost					
Investments, Banking	14,473	14,946			14,946
Loans and other receivables, Banking	10,358,489		11,956,995		11,956,995
Total financial assets	**12,441,676**	**1,969,407**	**12,040,513**	**30,735**	**14,040,656**

* Includes liabilities for unit-linked insurance and investments contracts which are reported on level 1 in accordance of the underlying investment.

30.6.2020	Carrying amount	Fair value by hierarchy level			
Financial liabilitie (EUR 1,000)		Taso 1	Taso 2	Taso 3	Yhteensä
Measured at fair value					
At fair value through profit or loss					
Asset Management Services*	753,725	753,725			753,725
Other operations**	6,806	6,806			6,806
Derivative contracts					
Banking	1,002		1,002		1,002
Measured at amortised cost					
Banking	10,578,424	2,720,758	7,945,392	747,516	11,413,666
Total financial liabilities	**11,339,957**	**3,481,288**	**7,946,394**	**747,516**	**12,175,199**

* Includes liabilities for unit-linked insurance and investments contracts which are reported on level 1 in accordance of the underlying investment.

** The other investors' share of the consolidated mutual funds.

Changes at level 3

Reconciliation of changes in financial instruments at level 3

Financial assets at fair value through profit or loss (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2020	**18,167**	**2,124**	**20,291**
Purchases	2,618		2,618
Sales	-1,403		-1,403
Changes in value recognised in income statement, realised	41		41
Changes in value recognised in income statement, unrealised	-724	-470	-1,193
Transfers from level 1 and 2	1,310		1,310
Transfers between levels 1 and 2	-375		-375
Carrying amount 30 June 2020	**19,634**	**1,654**	**21,288**

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

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2020	**3,920**	**11,557**	**15,477**
Purchases	10		10
Sales	-369	-5,610	-5,979
Changes in value recognised in income statement, realised	154	1,714	1,869
Changes in value recognised in income statement, unrealised	-1,499		-1,499
Changes in value recognised in comprehensive income statement	42	-472	-430
Carrying amount 30 June 2020	**2,259**	**7,189**	**9,447**

Changes in fair value recognized in the income statement during the year are included in the item "Net investment income" and "Net life insurance income".

Unrealized changes in fair value are booked in the equity fair value reserve through the other comprehensive income.

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)		
30.6.2020	Carrying amount	Effect of hypothetical changes' on profit, negative
At fair value through profit or loss		
Banking	19,634	-896
Asset Management Services	1,654	-248
Total	**21,288**	**-1,144**
Fair value through other comprehensive income		
Banking, liabilities	2,259	-14
Asset Management Services	7,189	-1,078
Total	**9,447**	**-1,092**
Total	**30,735**	**-2,236**

The above table shows the sensitivity of fair value for level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming 1 percentage points parallel shift of the interest rate level in all maturities. For non-interest sensitive instrumetns the market prices are assumed to change by -15 percentage. For derivatives it is assumed that the possible change in value equals to the fair value of the derivative.

31.12.2019	Carrying amount	Fair value by hierarchy level			
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	1,089,524	1,071,357		18,167	**1,089,524**
Asset Management Services*	783,930	781,806		2,124	**783,930**
Derivative contracts					
Banking	68,697		68,697		**68,697**
Fair value through other comprehensive income					
Banking	640,460	634,542	1,997	3,920	**640,460**
Asset Management Services	166,576	155,020		11,557	**166,576**
Measured at amortised cost					
Loans and advances, banking	37,040	37,131		400	37,531
Investments, Asset Management services	9,031,038		11,639,928		11,639,928
Total financial assets	**11,817,265**	**2,679,856**	**11,710,621**	**36,168**	**14,426,645**
Investment property					
Banking	40,073			64,610	64,610
Total financial assets	**40,073**			**64,610**	**64,610**

* including fair value of investments covering unit-linked policies, which are reported on level 1.

** The other investors' share of the consolidated mutual funds.

31.12.2019	Carrying amount	Fair value by hierarchy level			
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Asset Management Services*	778,993	778,993			778,993
Other operations**	3,909	3,909			3,909
Derivative contracts					
Banking	3,835		3,835		3,835
Measured at amortised cost					
Banking	9,853,322	3,888,451	6,784,417	238,235	10,911,102
Total financial liabilities	**10,640,059**	**4,671,353**	**6,788,252**	**238,235**	**11,697,839**

* Includes liabilities for unit-linked insurance and investments contracts which are reported on level 1 in accordance of the underlying investment.

** The other investors' share of the consolidated mutual funds.

Changes at level 3

Reconciliation of changes in financial instruments at level 3

Financial assets measured at fair value through profit or loss (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2019	**20,531**	**692**	**21,223**
Purchases	3,344	970	4,313
Sales	-5,521		-5,521
Matured during the period	-6		-6
Changes in value recognised in income statement, realised	189		189
Changes in value recognised in income statement, unrealised	682	462	1,145
Transfers from level 1 and 2	200		200
Transfers between levels 1 and 2	-1,251		-1,251
Carrying amount 31 December 2019	**18,167**	**2,124**	**20,291**

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

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2019	**5,347**	**10,899**	**16,245**
Purchases	1,160	4,193	5,352
Sales	-921	-4,322	-5,244
Matured during the period	-1,129		-1,129
Changes in value recognised in income statement, realised	-740	26	-714
Changes in value recognised in comprehensive income statement	-50	762	712
Transfers from level 1 and 2	2,283		2,283
Transfers to level 1 and 2	-2,028		-2,028
Carrying amount 31 December 2019	**3,920**	**11,557**	**15,477**

Changes in fair value recognized in the income statement during the year are included in the item "Net investment income" and "Net life insurance income".

Unrealized changes in fair value are booked in the equity fair value reserve through the other comprehensive income.

Sensitivity analysis of financial instruments at level 3		
31.12.2019	Carrying amount	Effect of hypothetical changes' on profit, negative
At fair value through profit or loss		
Banking	18,167	-400
Asset Management Services	2,124	-961
Total	**20,291**	**-1,361**
Fair value through other comprehensive income		
Banking	3,920	-43
Asset Management Services	11,557	-1,101
Total	**15,477**	**-1,144**
Total	**35,768**	**-2,505**

The above table shows the sensitivity of fair value for level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming 1 percentage points parallel shift of the interest rate level in all maturities. For non-interest sensitive instrumetns the market prices are assumed to change by -15 percentage. For derivatives it is assumed that the possible change in value equals to the fair value of the derivative.

NOTE 18: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The derivative contracts of the Savings Banks Group are subject to either ISDA Master Agreement or the Master Agreement of the Federation of Finnish Financial Services. Under these agreements, derivative payments may be offset by payment transaction on each payment date as well as in the event of counterparty default or bankruptcy. In addition, it is possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. These derivatives are presented in the statement of financial position on a gross basis.

30.6.2020				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments, carrying amount in statmenets of financial position, gross	Financial instruments held/given as collateral	Cash held/given as collateral	Net amount
Assets							
Derivative contracts				77,961		57,519	20,441
Total				**77,961**		**57,519**	**20,441**
Liabilities							
Derivative contracts				-1,003		1,870	-2,873
Total				**-1,003**		**1,870**	**-2,873**

31.12.2019				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				68,697		51,721	16,975
Total				**68,697**		**51,721**	**16,975**
Liabilities							
Derivative contracts				3,835		1,870	1,965
Total				**3,835**		**1,870**	**1,965**

NOTE 19: COLLATERALS

(EUR 1,000)	30.6.2020	31.12.2019
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Pledges	7,6116	
Loans *	1,891,442	1,881,238
Other	13,7386	13,558
Collateral given		**1,894,796**
Collateral received		
Real estate collateral	8,665,869	8,463,899
Securities	44,085	35,911
Other	125,870	105,291
Guarantees received	53,504	54,736
Collateral received	**8,889,328**	**8,659,838**

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

NOTE 20: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2020	31.12.2019
Guarantees	73,482	70,833
Commitments related to short-term trade transactions	646,931	639,816
Other	3,068	4,178
Off balance-sheet commitments	**72,3481**	**714,827**

NOTE 21: 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.

Related party transactions consists mainly of granting of loans, deposits and guarantees. There haven't been any major changing regarding the related transactions after 31 December 2019.

Savings Bank

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