Savings Banks Group´s

HALF-YEAR REPORT

1 JANUARY – 30 JUNE 2022

Savings Bank

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SAVINGS BANKS GROUP'S HALF-YEAR REPORT

1.1.–30.6.2022

REVIEW BY THE MANAGING DIRECTOR OF THE SAVINGS BANKS' UNION COOP

This year, the Savings Bank Group is celebrating the 200th anniversary of the Savings Bank in Finland. Over the course of two centuries, we have been able to renew ourselves and respond to changes in society, customer needs and customer behaviour. The Savings Banks Group's strength has always been the Savings Bank Experience delivered to customers. Effective cooperation with customers and between the various constituents of the Savings Banks Group provide a strong foundation for our operations. Now and in the future, our goal is to leverage our expertise to provide our customers with Finland's leading combination of digital and face-to-face financial and investment services that produce concrete, long-term benefits for the customers. The Savings Bank Group is one of the clear market leaders in the retail banking segment.

This year has been largely shaped by the situation in Ukraine, rising inflation and the end of the long era of exceptionally low interest rates. Consequently, we have had a strong focus on customer relationship management and risk management in our operations.

The performance of the Savings Banks Group's customer business was excellent during the first half of the year. Boosted by the general rise in interest rates, our net interest income increased by 4.9 per cent to EUR 85,4 million, which exceeded our expectations. We achieved good growth in net fee and commission income despite the difficult market situation. In spite of the weak performance of the investment markets, the net subscriptions of our investment funds were EUR 194 million in the positive, and our market share increased. Operating revenue includes the compensation received for the termination of the core banking system renewal project, which had a positive effect of approximately EUR 38,7 million on profit.

The global political and economic situation casts a shadow over the outlook for the rest of the year. Faced with an uncertain market conditions, we will continue to focus on advising our customers about their financial situation and pursuing profitable growth. We expect that our full-year result will be good.

Our bicentenary year has been, and will continue to be, reflected in everything we do. We will use our first customer, Hedvig, to present the Savings Bank story to the public. Each year, we use a significant proportion of our profit to promote local well-being. This year, we have also made donations to help Ukraine. One of the highlights of our special anniversary will take place in August, when our personnel will have the chance to finally get together, after a break brought about by the COVID-19 pandemic, to mark the Savings Bank's birthday weekend.

Tomi Närhinen, who had served as the CEO of Savings Banks' Union Coop since 2017, left his position in June. I would like to thank the Board of Directors of the Savings Banks' Union Coop for their trust. I feel privileged and humbled by the opportunity to promote even stronger and closer cooperation in the Savings Banks Group. I also want to extend special thanks to our customers for their confidence in our services and to everyone at the Savings Banks Group for their excellent work for our customers during the first half of 2022.

Karri Alameri, Acting CEO

Karri Alameri
Acting CEO

Savings Bank has supported Finns' economic well-being already for 200 years.

Savings Bank is celebrating the 200th anniversary.

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 organisations 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 Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 16 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.

Ylihärmän Säästöpankki merged with Aito Savings Bank Ltd during the review period. As a result of the merger, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 17 to 16. The transaction outlined in the business transfer plan for Liedon Säästöpankki and Mietoisten Säästöpankki was carried out in March 2022. The changes were internal to the Savings Banks Group, and the arrangements have thus had no impact on the financial result of the Savings Banks Group.

On 13 May 2022, Liedon Säästöpankki announced it will begin merger negotiations with Oma Savings Bank. The decision on the merger will be made in the latter part of 2022.

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

The Savings Bank Centre initiated change negotiations in May 2022 concerning approximately 470 employees in the Savings Banks' Union Coop, Savings Bank Services, Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company Ltd and Sb Life Insurance. The aim of the change negotiations was to improve operational efficiency, simplify the organisational structure and clarify the division of labour and responsibilities. It was estimated that, if implemented, the planned measures would lead to the termination of a maximum of 45 positions. The change negotiations were concluded on 21 June 2022. As a result of the negotiations, the employment relationships of 21 employees were terminated. In addition, there were material changes to the duties of some personnel.

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

THE GLOBAL ECONOMY

The year 2022 began with a fairly positive outlook. The new Omicron variant of COVID-19 spread around the world and led to further shutdown measures in many economies. However, it soon became apparent that the Omicron variant was not very serious, and the outlook was that the pandemic would gradually abate and the service sector, in particular, would finally see a proper recovery. Concerns were raised by rising inflation and the consequent measures by central banks to tighten monetary policy.

The economic outlook then deteriorated substantially in February 2022 due to Russia's attack on Ukraine. The war has an impact on the economy through various channels. The increase in the prices of energy and raw materials accelerated and is now likely to be a longer-term phenomenon. Logistics disruptions have also increased, which also contributes to higher inflation. Another threat is that the war will lead to caution among consumers and the postponement of investments by companies. Trade with Russia has also declined sharply.

Although the rapid acceleration of inflation is undermining consumer purchasing power around the world, there are opposing forces at play that help sustain consumption. The service sector continues to recover after the pandemic, and the focus of consumption is shifting from goods to services. In addition, savings accumulated during the COVID-19 pandemic can now be used to compensate for increased prices.

China also creates challenges to the global economy. Due to China's zero tolerance policy concerning COVID-19, large cities in China have been shut down when the number of infections has increased. Consequently, the COVID-19 situation in China creates volatility and uncertainty in the global economy as a whole.

International economic forecasters have made downward adjustments to their growth forecasts for the global economy due to the war. For example, the OECD adjusted its growth forecast for the global economy from 4.5% to 3.0% in June. The expected year of rapid recovery is turning into a year of fairly weak growth. Fears of a recession have increased, but it can still be avoided.

INTEREST RATE ENVIRONMENT

Having remained practically unchanged in 2021, short-term interest rates in the euro zone increased substantially during the review period and the yield curve has steepened. The 12-month Euribor, which is the dominant reference rate for mortgages, has risen by approximately 1.5 percentage points since the turn of the year. This steepening of the short-term yield curve slightly reduces the burden that the flat yield curve in recent years has placed on net interest incomes in the banking sector. However, at the same time, the end of the European Central Bank's TLTRO programme and the winding down of the purchase programmes have contributed to wider margins in the debt capital markets and thereby increased the costs of wholesale funding for banks.

Long-term interest rates also rose sharply during the review period. The five-year swap rate has increased by approximately two percentage points since the turn of the year. The development of interest rates is difficult to predict due to the opposing forces represented by the interest rate policy communicated by the European Central Bank on the one hand and the expectations of slower economic growth on the other hand.

INVESTMENT MARKETS

The year 2022 has been a turning point in the investment markets. The long increase in returns on investments came to an end in the first half of the year as interest rates turned to sharp growth and, simultaneously, increased uncertainty led to a downturn in the stock markets. Rising inflation has surprised central banks, forcing them to react to the new circumstances by tightening their monetary policy. For a long time, the investment markets have been supported by low interest rates and stimulating monetary policy, but the markets now need to adapt to a new operational environment.

The rise in interest rates reduced sovereign bond yields, and credit risk margins in the corporate bond markets increased, contributing to a significant decline in corporate bond yields. All major stock markets declined during the first half of the year. There were significant differences between sectors, with the energy sector generating the highest returns and share prices in the technology sector falling due to the higher interest rates. Share prices also declined in emerging markets, and their currencies weakened relative to the US dollar.

THE FINNISH ECONOMY

The Finnish economy is affected by the same themes as the global economy: the recovery from the pandemic is continuing, but the war and rising inflation are weakening the economic growth outlook.

With regard to the various economic impacts of the war in Ukraine, it is worth noting that Russia has been an important trade partner for Finland. In 2021, Russia was Finland's sixth-most important export market. Exports to Russia plummeted during the spring and are expected to decline further.

Consumer confidence has fallen to a very low level in Finland since the war began. Consumers are pessimistic about their own finances and the outlook of the Finnish economy. Inflation expectations are at a record high. At the same time, households with debt are adversely affected by the rising interest rates.

However, there are also positive factors involved in the outlook for households. The labour market situation is still very good. Unemployment has fallen to the lowest level seen since the financial crisis, and there are plenty of vacancies in the job market.

The situation for companies has also deteriorated over the past few months but, on the whole, their outlook remains moderate. Business confidence has decreased, albeit not as sharply as household confidence. The decline in business confidence is the most apparent in the retail and construction sectors. In the manufacturing sector, however, confidence is still above the long-term average, while the service sector is benefiting from the lifting of COVID-19 restrictions. According to an investment survey by the Confederation of Finnish Industries, companies' willingness to invest is fairly high in spite of the prevailing uncertainty.

We expect the Finnish economy to grow by 1.6% in 2022. Growth is likely to slow down next year.

THE HOUSING MARKET IN FINLAND

After record-high activity in the housing market in 2021, the year began in an expectant mood. Housing transaction volume is expected to decline in spite of high demand because the supply of housing is low. The expected decline in new residential construction was also reflected in the market. The start of the war in Ukraine in February presented additional challenges to the housing market. Activity in the housing market was low for about a month before the market began to recover again.

The main drivers influencing the housing market are the employment rate, interest rates and consumer confidence. Employment has remained at a very good level, and wage increases would have increased purchasing power were it not for high inflation. The expected rise in interest rates has given pause to many potential homebuyers, and many people with mortgages have only had loans during the period of negative interest rates. Consumers' confidence in their own finances and the Finnish economy decreased significantly after the war in Ukraine began, but intentions to buy and build housing have remained at a good level, which supports the housing transaction volume.

Inflation has a significant impact on the costs of housing. This is currently reflected in homebuyers seeking to optimise the size of the residential properties they buy so as not to pay higher costs of housing for unnecessary square metres.

According to the price monitoring service report of the Federation of Real Estate Agency in Finland, the number of transactions for old and new residential properties declined by 14.2% year-on-year in the early part of 2022 (1 January–31 May). The five-year change is still positive at 2.4%. The most significant changes in the largest cities were -25.8% for Espoo, -18.8% for Turku and -17% for Helsinki. The change was the smallest in Oulu at -2%. In the transaction volume for old residential properties, the most significant changes were -14.1% for Espoo, -9.5% for Tampere and -9.4% for Vantaa. In Oulu, the transaction volume grew by 4.2%. For new residential properties, the largest changes were -60.6% for Turku, -59.1% for Helsinki and -50.4% for Espoo.

Over the past year, the prices of old apartments have increased by +2.9% in the Helsinki Metropolitan Area and by +0.1% in other major cities.

The transaction volume for holiday homes was record-high last year, but the market showed signs of slowing down during the early part of 2022. This is partly due to the limited supply but also the increased interest in travel now that the COVID-19 pandemic has begun to abate. The transaction volume for holiday homes in the early part of the year was 42.8% lower than last year. The five-year change is -13.2%. The average price of holiday homes has risen continuously over the past four years and was EUR 140,000 in the early part of the year.

Continued uncertainty is expected in the housing market during the rest of the year. There are major questions in the market: to what extent will interest rate hikes keep inflation in check? Will there be a recession? How will the war in Ukraine develop? How will the availability of materials and products be ensured? Will supply in the housing market increase sufficiently?

According to our forecast, the housing transaction volume this year will be approximately 15–20% lower than last year. Housing prices will increase by 2.5% in the Helsinki Metropolitan Area and remain unchanged elsewhere in Finland. By long-term comparison, the volume of housing transactions will still be relatively high this year.

THE SAVINGS BANKS GROUP'S PROFIT AND BALANCE SHEET

SAVINGS BANKS GROUP'S FINANCIAL HIGHLIGHTS

(EUR 1,000)	1-6/2022	1-6/2021	1-12/2021
Revenue	197,552	180,185	356,156
Net interest income	85,367	81,380	166,039
% of revenue	43.2 %	45.2 %	46.6 %
Profit before taxes	42,681	43,407	89,854
% of revenue	21.6 %	24.1 %	25.2 %
Total operating revenue	183,117	165,518	327,566
Total operating expenses	-132,670	-119,848	-236,218
Cost to income ratio	72.5 %	72.4 %	72.1 %
Total assets	13,462,123	13,169,456	13,079,096
Total equity	1,154,011	1,192,716	1,190,293
Return on equity %	3.6 %	3.7 %	6.2 %
Return on assets %	0.3 %	0.3 %	0.6 %
Equity/assets ratio %	8.6 %	9.1 %	9.1 %
Solvency ratio %	18.7 %	19.9 %	19.5 %
Impairment losses on financial assets	-7,787	-2,050	-1,297

PROFIT TRENDS (COMPARISON FIGURES 1–6/2021)

The Savings Banks Group's profit before tax was EUR 42.7 (43.4) million. Profit for the period was EUR 32.5 (35.0) million. The profit was favourably affected by one-off compensation received from Cognizant in connection with the termination of the agreement related to the core banking system renewal project and higher income from the customer business. Profit was adversely affected by the decline in net investment income due to the challenging investment environment.

The Savings Banks Group and Cognizant announced in February that they will terminate their agreement related to the core banking system renewal. As part of the agreement, Cognizant paid compensation to the Savings Banks Group, which had a positive effect of EUR 38.7 million on the Savings Banks Group's profit before tax. In connection with the termination of the agreement the capitalised amount of EUR 8.7 million was written down.

The Savings Banks Group's customer business developed favorably, and there was growth in all types of income from the customer business. Net interest income grew by 4.9% to EUR 85.4 (81.4) million. The increase in net interest income can be attributed specially to growth of interest income from customer loans and receivables as well as to lower interest expenses in both customer deposits and refinancing. Interest income increased to EUR 93.7 (90.5) million. Interest income from customers' loans and receivables accounted for EUR 74.9 (72.1) million. The share of the derivatives used for the management of the interest rate risks of net interest income remained at the level of the comparison period, amounting to EUR 10.8 (11.2) million. Interest expenses decreased by 8.4% to EUR 8.3 (9.1) million.

Net fee and commission income and expenses grew by 7.6% to EUR 59.2 (55.1) million. Increase is explained by growth commissions on funds and payment transactions. Commissions on funds grew by 6.7% to EUR 20.4 (19.1) million. Commissions on payment transactions grew by 11.4% to EUR 25.7 million (23.1). Lending commissions were EUR 11.3 (10.6) million.

The investment environment was weakened by rising interest rates and the war in Ukraine. The net result of investment operations decreased to EUR -17.4 (10.7) million. Most of the decrease in net investment income was unrealised changes in the value of financial assets measured at fair value through profit or loss.

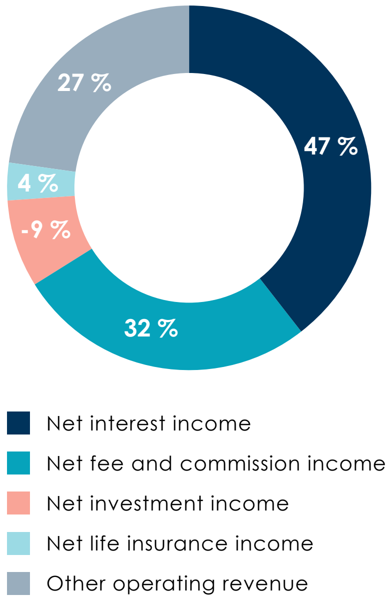
Net life insurance income decreased to EUR 6.9 (10.6) million. Premiums written decreased from the comparison year, amounting to EUR 50.6 (61.8) million. Claims incurred increased, amounting to EUR 38.2 (37.0) million.

Other operating revenues increased to EUR 49.0 (7.8) million. Other operating income was increased by EUR 38.7 million by the compensation received for the termination of the core banking system renewal project.

The Savings Banks Group's total operating income increased by 10.6 per cent and amounted to EUR 183.1 (165.5) million. Income was increased particularly by the growth of other operating income. Net interest income and net fee and commission income also increased. Income was reduced by the decrease in net income from investment activities and the life insurance business.

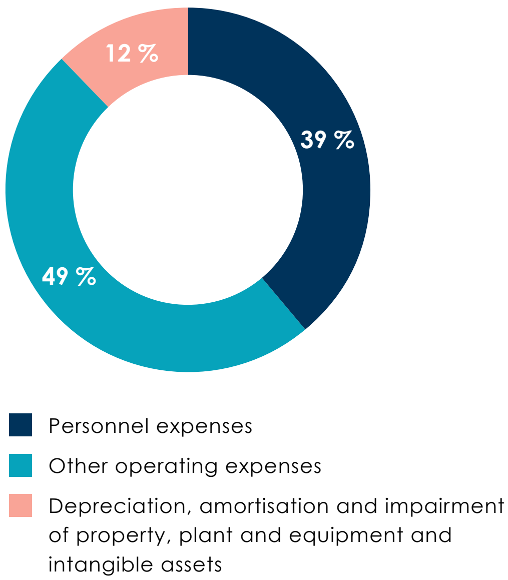
OPERATING REVENUE

1-6/2022



OPERATING EXPENCES

1-6/2022



The Savings Banks Group's operating expenses grew by 10.7% to EUR 132.7 (119.9) million. Personnel expenses increased 2.6% and were EUR 51.8 (50.5) million. The number of personnel as of 30 June 2022 was 1,404 (1,430).

Other administrative expenses were EUR 44.7 (42.5) million. ICT-expenses decreased to EUR 25.1 (26.0) million. Other personnel expenses were EUR 2.5 (2.1) million. Marketing expenses grew to EUR 4.2 (3.4) million.

Other operating expenses increased to EUR 19.9 (17.7) million. Deposit guarantee and ex-ante contributions increased totally to EUR 10.1 (8.6) million.

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets increased to EUR 16.3 (9.1) million. Depreciation, amortisation and impairment was increased by impairment of EUR 8.7 million recognised on intangible assets capitalised on the balance sheet in connection with the core banking system renewal project.

The Group's cost to income ratio was 72.5 (72.4) %.

A total of EUR -7.8 (-2.0) million was recorded in impairments of financial assets. These impairments had a negative effect on the Savings Banks Group's profit and loss, and they include the change in expected credit losses for loans granted to customers and off-balance sheet commitments and expected credit losses in other financial assets, final credit losses and credit loss recoveries. The change in expected credit losses recognised in the review period increased impairment by EUR 7.2 million, while the change decreased impairment by EUR 0.4 million in the comparison period. Of the increase in expected credit losses, EUR 4.4 (0.8) million concerned loans and other receivables and EUR 2.8 million other financial receivables (decrease of EUR 1.2 million in the comparison period). The net credit losses realised during the reporting period totalled EUR -0.5 (-2.5) million, and they concerned loans and other receivables.

BALANCE SHEET AND FUNDING (COMPARISON FIGURES 31 DECEMBER 2021)

The balance sheet of the Savings Banks Group totaled EUR 13.5 (13.1) billion at the end of the reporting period. The Savings Banks Group's return on assets was 0.3 (0.6) %.

Loans and advances to customers amounted to EUR 10.0 (9.6) billion, which meant increase of 4.1%. Loans and advances to credit institutions amounted to EUR 181.4 (129.5) million. The Savings Banks Group's investment assets stood at EUR 883.5 (974.2) million. Life insurance assets amounted to EUR 1,009.5 (1,160.7) million.

The Savings Banks Group's liabilities to customers totalled EUR 7.9 (7.7) billion, showing a increase of 2.4%. Liabilities to credit institutions were EUR 543.7 (423.7) million. Debt securities issued stood at EUR 2.6 (2.5) billion. A covered bond of EUR 300 million was issued in April. Life insurance liabilities amounted to EUR 953,1 (1,084.7) million.

The Savings Banks Group's equity stood at EUR 1.2 (1.2) billion. The share of non-controlling interests of the Saving Banks Group's equity was EUR 1.4 (1.4) million. The change in fair value recognised in other comprehensive income was EUR -64.1 (2.2) million during the review period. The impact of cash flow hedging on equity was EUR -0.7 (-0.9) million. The Savings Banks Group's return on equity was 3.6 (6.2) %.

The quality of the Savings Banks Group's credit portfolio is good and most credit is secured. The Savings Banks Group does not have significant risk concentrations in the sectors that have especially suffered from the coronavirus pandemic or the war in Ukraine. The expected credit loss allowance on loans and receivables on the balance sheet at the end of reporting period amounted to EUR 47.2 million (31 December 2021: EUR 42.8 million), or 0.43% (31 December 2021: 0.41%) of loans and receivables. Non-performing receivables of the Savings Bank Group remained at a reasonable level of 1.8% (31 December 2021: 2.0%) of loans and receivables.

CAPITAL ADEQUACY AND RISK POSITION

CAPITAL ADEQUACY (COMPARISON FIGURES 31 DECEMBER 2021)

At the end of June 2022, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 1,078.1 (1,098.3) million, of which CET1 capital accounted for EUR 1,077.5 (1,096.6) million. Compared to the situation at the end of the year 2021, the decrease in CET1 capital was primarily due to the negative impact of changes in the interest rate environment on the market value of the investment portfolio. Savings Banks Amalgamation does not have additional Tier 1 capital. Tier 2 (T2) capital accounted for EUR 0.6 (1.7) million, which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 5,769.3 (5,626.7) million, i.e., they were 2.5 % higher than at the end of the previous year. The increase in risk-weighted exposure amounts was driven by the increase in the credit portfolio.

The capital ratio of the Savings Banks Amalgamation was 18.7 (19.5) % and the CET1 capital ratio was 18.7 (19.5) %.

The capital requirement of Savings Banks Amalgamation was EUR 692.7 (661.5) million. The composition of the capital requirement is shown in the table below. The capital requirement of the Savings Banks Amalgamation consists of the 8 % minimum capital requirement laid down in the Capital Requirements Regulation, a discretionary additional capital requirement imposed by the Financial Supervisory Authority, a fixed additional capital requirement pursuant to the Act on Credit Institutions and the country-specific countercyclical capital requirements of foreign exposures.

COMBINED CAPITAL REQUIREMENT, %

30.6.2022	Minimum requirement	Pillar 2 (SREP)-requirement	Capital conservation buffer	Countercyclical capital buffer	Combined capital requirement
CET1	4,50	0,84	2,50	0,01	7,85
AT1	1,50	0,28			1,78
T2	2,00	0,38			2,38
Total	8,00	1,50	2,50	0,01	12,01

The Pillar II capital requirement imposed by the Financial Supervisory Authority on the Savings Banks Amalgamation is 1.5 (1.25) % based on the Financial Supervisory Authority's decision in November 2021. At least three quarters of the Pillar II capital requirement must be Tier 1 capital, of which at least three quarters must be CET1 capital.

At its meeting on 6 April 2020, the Board of the Financial Supervisory Authority decided to remove the systemic risk buffer to mitigate the negative effects of the coronavirus pandemic on the stability of financial markets and on credit institutions' ability to finance the economy. In its meeting on 27 June 2022, the Financial Supervisory Authority decided not to impose a systemic risk buffer requirement for the time being because Russia's war of aggression in Ukraine, among other factors, has further weakened the economic outlook for Finland and Europe, increased uncertainty about the operation of the banking system and intensified the risk of credit losses.

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

The Financial Supervisory Authority has granted 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% 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 authorisation granted to the Central Institution also covers the NSFR claim that entered into force on 28 June 2021.

The standard method is used to calculate the capital requirement to the credit risk of the Savings Banks Amalgamation and capital requirement to the operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over two per cent of the aggregate amount of the own funds. The Savings Banks Amalgamation does not have a trading book and the amalgamation's business does not involve taking commodity risk.

On 27 October 2021, the European Commission published a proposal for a new banking package to implement the final Basel III regulation in the EU. The proposed amendments to the EU's Capital Requirements Regulation (CRR3), which are intended to enter into force from the beginning of 2025, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation.

CAPITAL ADEQUACY'S MAIN ITEMS

(EUR 1,000)

Own Funds	**30.6.2022**	**31.12.2021**
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,118,326	1,137,326
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-40,808	-40,722
Common Equity Tier 1 (CET1) capital	1,077,518	1,096,604
Tier 1 capital (T1 = CET1 + AT1)	1,077,518	1,096,604
Tier 2 (T2) capital before regulatory adjustments	607	1,673
Tier 2 (T2) capital	607	1,673
Total capital (TC = T1 + T2)	1,078,125	1,098,277
Risk weighted assets	5,769,272	5,626,667
of which: credit and counterparty risk	5,162,851	4,973,830
of which: credit valuation adjustment (CVA)	37,056	83,472
of which: operational risk	569,365	569,365
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.7 %	19.5 %
Tier 1 (as a percentage of total risk exposure amount)	18.7 %	19.5 %
Total capital (as a percentage of total risk exposure amount)	18.7 %	19.5 %
Capital requirement		
Total capital	1,078,125	1,098,277
Capital requirement total*	692,683	661,465
of which: Pillar 2 additional capital requirement	86,539	70,333
Capital buffer	385,442	436,812

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

LEVERAGE RATIO

The leverage ratio of the Savings Banks Amalgamation was 8.3 % (8.9 %) clearly exceeding the 3 % minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	30.6.2022	31.12.2021
Tier 1 capital	1,077,518	1,096,604
Total leverage ratio exposures	12,916,333	12,283,341
Leverage ratio	8.3 %	8.9 %

RESOLUTION PLAN

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally effective from 1 January 2015 (Act on the Resolution of Credit Institutions and Investment Firms). To implement the Resolution Act, the Financial Stability Authority was established in Finland (Act on the Financial Stability Authority, 1995/2014). The Financial Stability Authority is responsible for resolution with regard to the Savings Banks Amalgamation. In April 2022, the Financial Stability Authority updated the minimum requirement for own funds and eligible liabilities (MREL requirement) set for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

From the beginning of 2022, the MREL requirement for the Savings Banks Amalgamation is 22.04% of the total risk exposure amount and 5.91% of the total exposures. Starting from the beginning of 2024, the MREL requirement for the Savings Banks Amalgamation will be 22.28% of the total risk exposure amount and 7.85% of the total exposures.

From the beginning of 2022, the MREL requirement for Sp Mortgage Bank Plc is 16.93% of the total risk exposure amount and 5.1% of the total exposures. Starting from the beginning of 2024, the MREL requirement for Sp Mortgage Bank Plc will be 18.21% of the total risk exposure amount and 5.91% of the total exposures.

The MREL requirement for both the Savings Banks Amalgamation and Sp Mortgage Bank was based on total risk on 30 June 2022. The requirements calculated on the basis of overall risk include institution-specific capital buffer requirements.

RISK POSITION

The Savings Banks Group's risk position has remained at a good level. Estimates of the impact of the war in Ukraine on risks have an indirect effect on the Group's income and risks, mainly due to customers' changed circumstances and the general market situation.

The credit risk position of the Savings Banks Amalgamation has remained stable, with a moderate risk level, in spite of the war in Ukraine. The quality of the credit portfolio is good, but there is a risk of negative development. While savings banks do not have significant direct liabilities to Russia, there are indirect impacts through certain industries and individual customer relationships. The impairment of receivables increased to EUR -7.8 (-2.0) million. Permanent net credit losses were recognised in the amount of EUR -0.5 (-2.5) million. Non-performing receivables remained at a moderate level at 1.8% (2.0%) of the credit portfolio. While the war in Ukraine has had very limited effects on the savings banks' investment activities, the change in the interest rate environment has had a substantial impact on the market values of the savings banks' investments. The Savings Banks Amalgamation had still a strong capital adequacy.

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. 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. Functions, which are independent of business operations, have been established within the Central Institution to ensure effective and comprehensive internal control in all the member companies within the Amalgamation and the Group.

The Central Institution's Risk control function maintains and develops methods for managing risks within the Savings Banks Group to ensure that all, even new, fundamental, but previously unidentified risks are covered by the risk managements 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 the updating process of the guidelines is monitored. All decisions and significant business operations are documented and archived. An essential part of risk management is executed in daily supervision. The execution of decisions made is monitored through an approval and verification process, controls and reconciliations together with adequate follow-up reporting.

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

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

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

CREDIT RATINGS

On 4 February 2022, S&P Global Ratings (S&P) confirmed the long-term credit rating of the Central Bank of Savings Banks Finland Plc, acting as the central credit institution of the Savings Banks Group, at A- and its short-term credit rating at A-2. The outlook remained negative.

The Central Bank of Savings Banks Finland Plc is part of the Savings Banks Amalgamation. The role of the Central Bank of Savings Banks is to ensure the liquidity and fund-raising of the Savings Banks Group. The Central Bank of Savings Banks 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. The Central Bank of Savings Banks also manages the levelling out of the Group's internal liquidity.

OPERATIONS AND PROFIT BY BUSINESS SEGMENT

BANKING SERVICES

Customer satisfaction and customer experience among the Savings Banks' private customers remained strong during the reporting period. The average Net Promoter Score (NPS) of the Savings Banks' customer negotiations was 82.2. Use of online meetings and other remote channels in customer encounters increased further in the beginning of year. Furthermore, the use of the digital signing of agreements is an established practice and the primary document signing method in the Savings Banks' private customer business. The increase in the use of digital services supports the transformation of the Savings Banks Group, to achieve the goal of providing customers with the best combination of in-person and digital services. The number of private customers using Savings Banks' services extensively and concentrating their banking in Savings Banks increased. During the last 12 months the Savings Banks' loan portfolio of private customers has grown faster than the general development of the market.

During the last 12 months the Savings Banks' loan portfolio of private customers has grown faster than general development of the market. Also corporate financing grew further clearly faster than the market, by more than 10 %.

Customer satisfaction and customer experience among the Savings Banks' corporate customers remained very strong during the financial year. Among corporate customers, the Net Promoter Score (NPS) for Savings Banks' customer negotiations was 82.1. The use of digital signing is established practice in the agreements signed with Savings Banks' corporate customers. The number of corporate and forestry and agriculture customers using Savings Banks' services extensively has grown clearly in the beginning of the year 2022. The Savings Banks Group's corporate financing grew further clearly faster than the market, by more than 10 %. This growth was supported by the guaranteed schemes of the European Investment Fund and Finnvera as well as by strong sales activity and excellent customer experience.

THE SAVINGS BANKS GROUP'S MORTGAGE- AND CENTRAL BANK OPERATIONS

The objective of the Savings Banks Group's Sp Mortgage Bank is to strengthen the competitiveness of the Savings Banks Group through competitive funding and to promote the implementation of the strategy of the Savings Banks Group through its own operations. Sp Mortgage Bank is responsible for the residential mortgage loan funding of the Savings Banks Group by issuing covered bonds. The Savings Banks Group's mortgage banking operations progressed according to plan and the credit portfolio grew to EUR 2,254 million (EUR 2,246 million) by the end of the period.

The Central Bank of Savings Banks Finland Plc is a bank owned by Finnish savings banks with main purpose of providing savings banks and the Savings Banks Group with various central credit institution services. On 4 February 2022, S&P Global Ratings (S&P) confirmed the long-term credit rating of the Central Bank of Savings Banks Finland Plc, acting as the central credit institution of the Savings Banks Group, at A- and its short-term credit rating at A-2. The outlook remained negative.

FINANCIAL PERFORMANCE (COMPARATIVE FIGURES 1–6/2021)

Profit before tax of Banking operations stood at EUR 27.5 (23.6) million. Net interest income was EUR 85.5

(81.5) million, an increase of 5.0 %. Net fee and commission income totalled EUR 39.1 (36.1) million, an increase of 8.3 %. Net investment income decreased to EUR -17.4 (10.7) million. Other operating revenue was EUR 48.0 (7.9) million. Other operating revenue were increased by one-off compensation EUR 38.7 million received from Cognizant in connection with the termination of the agreement related to the core banking system renewal project.

A total of EUR -7.8 (-2.0) million was recorded in impairments of financial assets. These impairments had a negative effect on the Savings Banks Group's profit and loss. The change in expected credit losses recognised during the reporting period increased impairment by EUR 7.2 million, while the change decreased impairment by EUR 0.4 million in the comparison period. Of the increase in expected credit losses, EUR 4.4 (0.8) million concerned loans and other receivables and EUR 2.8 million other financial receivables. (decrease of EUR 1.2 million in the comparison period). The net credit losses realised during the reporting period totalled EUR -0.5 (-2.5) million, and they concerned loans and other receivables.

Personnel expenses were EUR 33.0 (33.6) million. The number of personnel in the Banking operations segment was 956 (940) at the end of the reporting period. Other operating expenses and depreciation grew by 12.9 % to EUR 86.9 (77.0) million. Expenses were increased by write down of EUR 8.7 million on intangible assets capitalised on the balance sheet in connection with the core banking system renewal project.

The balance sheet for Banking operations totalled EUR 12.4 (31.12.2021: 11.9) billion, representing increase of 3.4 %. Loans and advances to customers increased by 4.9 % to EUR 10.0 (9.6) billion. Deposits received from customers was EUR 7.9 (7.7) billion.

ASSET MANAGEMENT SERVICES

The increased uncertainty caused by the war in Ukraine and the inflation outlook and their impacts on the investment markets and the growth outlook of companies and the global economy were significantly reflected in the operations of asset management services during the review period. In the uncertain market situation, the Savings Bank Group focused on delivering an excellent customer experience, high-quality customer service and providing information to customers. In spite of the increased uncertainty, our customers acted calmly, and there were no extensive fund unit redemptions or life insurance products surrenders.

The Savings Bank Private Banking Service achieved strong development during the review period. We acquired 221 new private banking customers during the review period. The Savings Banks' strong expertise and competitive advantage in customer service is highlighted in private banking services and, during these times of increased uncertainty, our customers are interested in personalised and active asset management services.

Savings Banks developed their services in all service channels, with the main emphasis being on mobile services. During the review period, Sb Life Insurance streamlined its range of insurance saving products by clarifying the structure of the Säästöpankki Elämänvara product to make it purely a capitalisation agreement for a private customer. The operations of Sb Life Insurance Ltd and Sp-Fund Management Company Ltd were undisrupted throughout the review period and the customer experience remained good.

Despite the challenging operational environment, net subscriptions to investment funds managed by Sp-Fund Management Company were positive. Its market share among Finnish fund management companies increased by 0.2 percentage points to 3.1 per cent at the end of the reporting period. The number of new continuous fund saving agreements signed decreased by 9.1 per cent year-on-year. Some 58 per cent of fund subscriptions were made electronically. The share of electronically signed new continuous fund saving agreements increased by 24.1 percentage points during the review period and came to 17.8% of all continuous fund saving agreements.

Fund capital managed by Sp-Fund Management Company Ltd reduced by 9.0 per cent during the review period and totalled EUR 4.1 (4.5) billion on 30 June 2022. Net subscriptions to Savings Bank funds totalled EUR 0.2 (0.2) million. The number of fund unit holders grew by 2.3 per cent from the previous year. The funds had a total of 283,963 (277,667) unit holders on 30 June 2022. In terms of the number of unit holders, Sp-Fund Management Company Ltd is the fourth largest fund management company in Finland.

At the end of the reporting period, Sp-Fund Management Company Ltd managed 33 investment funds, the largest of which was the Savings Bank Interest Plus investment fund with capital of EUR 0.8 billion. With 37,149 unit holders, the investment fund was also the largest in terms of the number of unit holders. The Säästöpankki 'Pitkäkorko' investment fund accumulated the largest amount of new capital, with EUR 89 million in net subscriptions.

The most significant factor contributing to the profitability of life insurance operations was investment income. The arm's length return on the investment assets of Sb Life Insurance was -9.82 per cent. The uncertainty in the investment markets also had a negative effect on the accumulation of endowment insurance premium income. The demand for risk life insurance remained good for the most part, with premium income increasing by 11.2 per cent year-on-year.

FINANCIAL PERFORMANCE (COMPARISON FIGURES 1—6/2021)

Profit before tax for the Asset Management Services stood at EUR 16.8 (20.5) million. Net life insurance income were EUR 6.9 (10.6) million, decrease of 35.0 per cent in relation to comparison period. Life insurance premium income amounted to EUR 50.6. (61.9) million. Claims incurred totalled EUR 38.2 (37.0) million.

Net fee and commission income was EUR 20.1 (19.1) million.

Operating expenses were EUR 10.2 (9.0) million. Personnel expenses was EUR 4.3 (3.9) million. Other operating expenses and depreciation grew totally to EUR 5.9 (5.1) million. The number personnel in the segment at the end of the reporting period was 74 (79).

Life insurance assets amounted to EUR 1,009,5 (31.12.2021: 1,160,7) million at the end of June. Unit linked insurance savings totalled EUR 855,9 (31.12.2021: 989,7) million.

The balance sheet for Asset Management Services totalled to EUR 1,019.2 (31.12.2021: 1,171.1) million.

MATERIAL EVENTS AFTER THE CLOSING DATE

The Board of Directors of the Savings Banks' Union Coop is not aware of any factors that would materially influence the financial position of the Savings Banks Group after the Half-year Report date.

OUTLOOK FOR THE END OF THE YEAR

The Savings Banks Group's outlook for the rest of the year is influenced by political and economic situation along with the demand for financial and investment products, the development of credit quality and changes in asset values. Faced with uncertain market conditions, we will continue to focus on advising our customers about their financial situation and pursuing profitable growth. According to our current forecast, the banking group's result will be good throughout the year.

FURTHER INFORMATION:

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tel. +358 45 656 5250

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

FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS:

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

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 that are not directly calculated using the information presented in the Half-year Report, nor have any changes occurred in the financial highlights.

HALF-YEAR REPORT (IFRS)

SAVINGS BANKS GROUP'S INCOME STATEMENT

(EUR 1,000)	Note	1-6/2022	1-6/2021
Interest income		93,715	90,497
Interest expense		-8,347	-9,117
Net interest income	4	85,367	81,380
Net fee and commission income	5	59,217	55,050
Net investment income	6	-17,386	10,708
Net life insurance income	7	6,882	10,588
Other operating revenue		49,036	7,792
Total operating revenue		183,117	165,518
Personnel expenses		-51,826	-50,510
Other operating expenses		-64,534	-60,217
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-16,310	-9,122
Total operating expenses		-132,670	-119,848
Net impairment loss on financial assets	8	-7,787	-2,050
Associate's share of profits		21	-214
Profit before tax		42,681	43,407
Income tax expense		-10,203	-8,428
Profit		32,478	34,978
Profit attributable to:			
Equity holders of the Group		32,497	34,969
Non-controlling interests		-20	9
Total		32,478	34,978

SAVINGS BANKS GROUP'S STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1-6/2022	1-6/2021
Profit for the period	32,478	34,978
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	-80,217	2,819
Cash flow hedges	-880	-555
Deferred tax from fair value measurements	16,293	-453
Total	-64,804	1,811
Total comprehensive income	-32,327	36,789
Attributable to:		
Equity holders of the Group	-32,307	36,780
Non-controlling interests	-20	9
Total	-32,327	36,789

SAVINGS BANKS GROUP'S STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	30.6.2022	31.12.2021
Assets			
Cash and cash equivalents		1,210,407	1,017,904
Loans and advances to credit institutions	10	181,413	129,484
Loans and advances to customers	10	9,996,431	9,602,782
Derivatives	11	5,031	33,693
Investment assets	12	883,488	974,226
Life insurance assets	13	1,009,452	1,160,683
Investments in associates and joint ventures		123	102
Property, plant and equipment		45,071	46,222
Intangible assets		26,295	35,323
Tax assets		20,636	10,556
Other assets		83,777	68,120
Total assets		13,462,123	13,079,096
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss		10,314	13,706
Liabilities to credit institutions	14	543,719	423,705
Liabilities to customers	14	7,868,376	7,682,351
Derivatives	11	151,685	15,511
Debt securities issued	15	2,609,324	2,500,165
Life insurance liabilities	16	953,109	1,084,728
Subordinated liabilities		9,793	13,427
Tax liabilities		61,167	65,760
Provisions and other liabilities		100,624	89,450
Total liabilities		12,308,113	11,888,804
Equity			
Basic capital		25,234	25,235
Primary kapital		31,452	32,452
Reserves		203,297	266,350
Retained earnings		892,663	864,871
Total equity attributable to equity holders of the Group		1,152,646	1,188,908
Non-controlling interests		1,365	1,384
Total equity		1,154,011	1,190,293
Total liabilities and equity		13,462,123	13,079,096

SAVINGS BANKS GROUP'S STATEMENT OF CASH FLOWS

(EUR 1,000)	1-6/2022	1-6/2021
Cash flows from operating activities		
Profit	32,478	34,978
Adjustments for items without cash flow effect	44,337	32,457
Income taxes paid	-8,674	-15,602
Cash flows from operating activities before changes in assets and liabilities	68,140	51,833
Increase (-) or decrease (+) in operating assets	-458,287	-113,284
Financial assets at fair value through profit or loss	9,841	294,571
Loans and advances to credit institutions	-67,333	-6,413
Loans and advances to customers	-398,229	-245,496
Investment assets, at fair value through other comprehensive income	3,815	-74,314
Investment assets, at amortized cost	10,034	517
Life insurance assets	-1,679	-36,296
Other assets	-14,736	-45,853
Increase (-) or decrease (+) in operating liabilities	583,219	-32,768
Liabilities to credit institutions	120,014	45,114
Liabilities to customers	233,064	47,608
Debt securities issued	219,682	-147,627
Life insurance liabilities	-988	12,284
Other liabilities	11,447	9,855
Total cash flows from operating activities	193,072	-94,218
Cash flows from investing activities		
Other investments	-656	-621
Investments in investment property and in property, plant and equipment and intangible assets	-7,767	-6,051
Disposals of investment property and property, plant and equipment and intangible assets	222	3,011
Total cash flows from investing activities	-8,202	-3,661
Cash flows from financing activities		
Increase in subordinated liabilities		6,764
Decrease in subordinated liabilities	-3,634	-10,154
Increase in basic capital	449	
Distribution of profits	-3,558	-1,837
Other monetary decreases in equity items	-1,000	
Total cash flows from financing activities	-7,743	-5,227

Change in cash and cash equivalents	177,127	-103,105
Cash and cash equivalents at the beginning of the period	1,057,635	1,213,609
Cash and cash equivalents at the end of the period	1,234,763	1,110,504
Cash and cash equivalents comprise the following items:		
Cash	1,210,407	1,067,906
Receivables from central banks repayable on demand	24,356	42,597
Total cash and cash equivalents	1,234,763	1,110,504
Interest received	93,770	93,654
Interest paid	6,492	10,828
Dividends received	2,028	2,303

SAVINGS BANKS GROUP'S STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Basic capital	Primary capital	Share premium	Fair value reserve	Reserve for hedging instru-ments	Re-serve fund	Other reserves	Total reserves	Re-tained earn-ings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1 January 2021	25,236	32,452	127,672	17,862	1,801	48,586	74,136	302,508	826,526	1,154,271	1,438	1,155,709
Comprehensive income												
Profit									72,781	72,781	-19	72,762
Other comprehensive income				-814	-859			-1,674	4,576	2,902		2,902
Total comprehensive income				-814	-859			-1,674	77,357	75,683	-19	75,665
Transactions with owners												
Distribution of profits									-2,233	-2,233		-2,233
Tranfers between items						118		118	-2,905	-2,787		-2,787
Other changes			-776				339	-437		-437	-35	-472
Changes that did not result in loss of control									-723	-723		-723
Changes in Savings Bank Group's structure												
Exit from the Savings bank group*	-1			121		-1,683	-152	-1,714	-33,151	-34,866		-34,866
Total equity 31 December 2021	25,235	32,452	126,896	17,169	941	47,022	74,323	298,802	864,871	1,188,908	1,384	1,190,293
* Eurajoen Säästöpankki left the Savings Banks Group on 1 December 2021. Further information in Financial statements 2021.												
Equity 1 January 2022	25,235	32,452	126,896	17,169	941	47,022	74,323	298,802	864,871	1,188,908	1,384	1,190,293
Comprehensive income												
Profit									32,497	32,497	-20	32,478
Other comprehensive income				-64,100	-704			-64,804		-64,804		-64,804
Total comprehensive income				-64,100	-704			-64,804	32,497	-32,307	-20	-32,327
Transactions with owners												
Distribution of profits									-3,558	-3,558		-3,558
Tranfers between items			10,502			-843	-8,593	1,067	-1,078	-11		-11
Other changes						750	-66	684	-69	615		615
Changes that did not result in loss of control	-1	-1,000						-1,000		-1,001		-1,001
Total equity 30 June 2022	25,234	31,452	137,398	-46,931	237	46,929	65,665	234,749	892,663	1,152,646	1,365	1,154,011

BASIS OF PREPARATION

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

The Savings Banks Group is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by Savings Banks. Together the Savings Banks form a banking group that operates locally as well as nationally. The basic objective of the Savings Banks is to promote thrift, the financial well-being of their customers and to operate near their customers. The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range offered is complemented with the other financial services and products provided in cooperation with the service and product companies within the Savings Banks Group. The service and product companies within the Group support and promote the operations of the Savings Banks Group via producing centralised services or having responsibility for certain products. The most significant service and product companies of the Savings Banks Group are Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd, Savings Bank Services Ltd and Sp-Koti Oy.

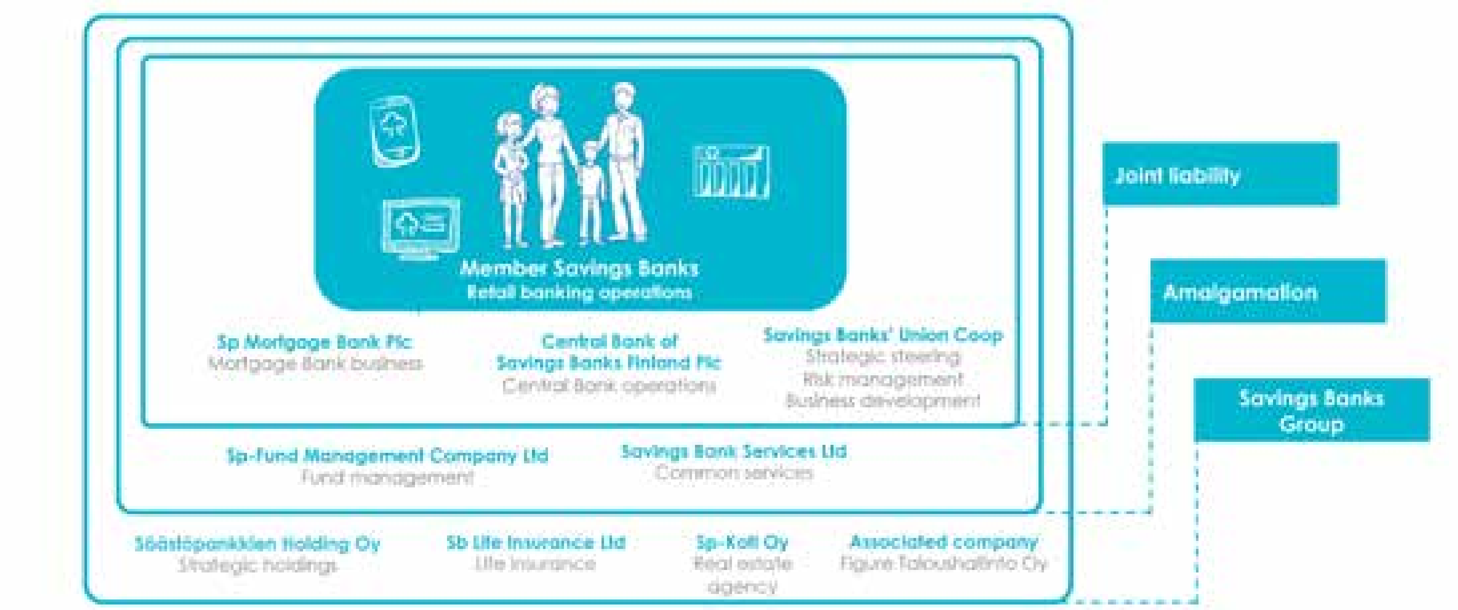
The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 16 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc as well as the companies within the consolidation groups of the above-mentioned entities and Sp-Fund Management Company Ltd.

The structure of the Savings Banks Group differs from that of the Savings Banks Amalgamation so that the Savings Banks Group also includes organisations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy. The Savings Banks' Union Coop and its member Savings Banks do not have control over each other as referred to in the general consolidation accounting principles and therefore it is not possible to define a parent company for the Group.

Ylihärmän Säästöpankki merged with Aito Savings Bank Ltd during the review period. As a result of the merger, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 17 to 16. The transaction outlined in the business transfer plan for Liedon Säästöpankki and Mietoisten Säästöpankki was carried out in March 2022. The changes were internal to the Savings Banks Group, and the arrangements have thus had no impact on the financial result of the Savings Banks Group.

On 13 May 2022, Liedon Säästöpankki announced it will begin merger negotiations with Oma Savings Bank. The decision on the merger will be made in the latter part of 2022.

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



Savings Banks' Union Coop steers the operations of the Savings Banks Group and is responsible for the internal control framework. According to the Amalgamation Act Savings Banks' Union Coop acting as the Central Institution of the Amalgamation is obliged to prepare consolidated financial statements for the Savings Banks Group. The Board of Directors of Savings Banks' Union Coop is responsible for preparing the financial statements. The financial statements are prepared for the financial group formed by the Savings Banks Group. The financial statements are prepared for the financial group formed by the Savings Banks Group. All figures presented hereafter are Savings Banks Group's figures unless otherwise stated.

Savings Banks' Union Coop's registered office is in Helsinki and its registered address is Teollisuuskatu 33, FI-00510 Helsinki.

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

NOTE 2: ACCOUNTING POLICIES

1. GENERAL

The consolidated financial statements of the Savings Banks' Group are prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union.

The Half-year report has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard. Accounting principles applied in the Half-year report are the same as in the financial statement of 2021. The financial statement 2021 contain the full accounting principles.

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

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

2. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

IFRS-compliant half-year report require the Savings Banks Group's management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and other information such as the amounts of income and expense. Although these estimates are based on the management's best knowledge at the time, it is possible that actual results differ from the estimates used in the half-year report.

The key estimates of the Savings Banks Group are related to the determination of impairment and fair value of financial assets, the determination of the liability for life insurance contracts, the recognition of deferred tax assets from confirmed losses and the determination of the present value of pension obligations. The most significant source of uncertainty influencing the management's estimates in the half-year report for the period 1 January – 30 June 2022 concerns the impact of the war in Ukraine and the economic sanctions against Russia on future economic development.

2.1 Determination of expected credit losses

The Savings Banks Group's expected credit loss calculation models contain several factors that require the management's judgment.

- Selection of the models used in the calculations so that they illustrate the expected credit losses of the contract portfolio as accurately as possible.
- Assumptions and expert assessments included in the models
- Defining the quantitative and qualitative criteria for a significant increase in credit risk
- Selection of the macroeconomic factors describing future economic development used in the calculations so that changes in the selected factors are correlated with the probability of contract default.
- Preparing economic forecasts and predicting the probability of their future realisation.

The Savings Banks Group uses modelling-based calculations for determining expected credit losses but, where necessary, the figures generated by the models are adjusted to reflect the management's judgment. Recognising an adjustment may be based on, for example, newly available information or a new factor that is not included in the parameters or inputs used in the calculation model. The uncertainty regarding future economic development that continued during the financial year has increased the significance of the management's judgment and estimates.

On the reporting period, the adjustments based on the management's judgment have been associated especially with receivables in stage 3 and, when assessing the need and extent of adjustments, attention has been paid especially to the following factors that influence the expected credit loss amount.

- Considering the nature and value of receivable-related collaterals, the effect of the regional economic situation on the price level of residential properties and realization, for instance.
- Amount and timing of receivables' contractual cash flows, taking into account available counterparty information that is not included in the calculation model. Such information includes, for instance, changes in employment, the number and duration of instalment-free periods that have been applied for and changes in the scope and profitability of business operations.

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

Based on an analysis of the credit portfolio, the Savings Banks Group does not have significant sector-specific risk concentrations that would necessitate increases to the expected credit losses indicated by the forecasting models by making adjustments based on the management's judgment.

The member banks of the Savings Banks Group have assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. Savings Banks do not have significant direct liabilities to Russia, Ukraine or Belarus. Nevertheless, the changed market conditions have indirect impacts on certain industries or individual customer relationships. Savings Banks have enhanced their monitoring of identified risks that have potentially been elevated by the crisis.

In June, the Savings Banks Group updated the economic forecasts used in the calculation of expected credit losses and the weights set for the scenarios. Further details on the key macroeconomic variables and the weights assigned to the scenarios in the economic forecasts are presented in Note 8, "Impairment losses on financial assets".

3. ADOPTION OF NEW STANDARDS AND INTERPRETATIONS

IFRS 17 Insurance Contracts:

The Savings Banks Group will apply the IFRS 17 Insurance Contracts standard starting from 1 January 2023. The application of the new standard will have a significant impact on the accounting of insurance contracts. In the Savings Banks Group, the insurance contracts of Sb Life Insurance Ltd are within the scope of IFRS 17. The quantitative impact of the standard on the financial statements for 2023 cannot yet be reliably estimated, as the impact depends on the insurance contracts in effect at the time, the choice of calculation principles and the management's judgement.

The Savings Banks Group has applied the temporary exemption permitted by IFRS 4 to a significant proportion of the equity instruments and fund investments related to life insurance investment operations, which has aligned the instruments' effects on profit or loss with IAS 39. The financial assets within the scope of the temporary exemption are recognised on the balance sheet at fair value and changes in their value are reported in equity, in the fair value reserve belonging to other comprehensive income. The application of the temporary exemption will end on 1 January 2023 when the IFRS 17 Insurance Contracts enters into force.

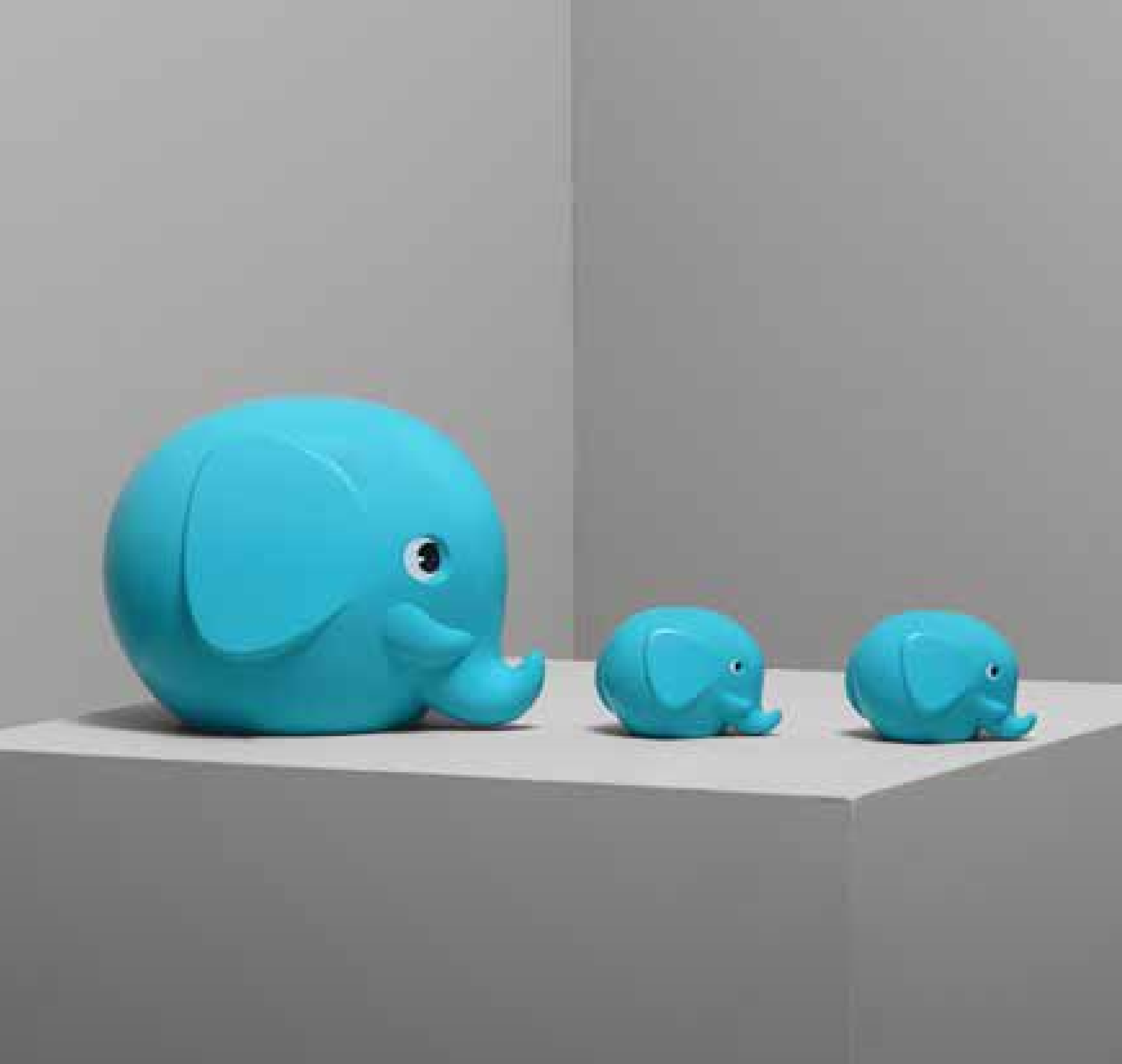
IFRS 17 sets out principles for the recognition, measurement and presentation of insurance and reinsurance contracts as well as certain investment contracts with discretionary participation features, and the notes to financial statements concerning such contracts. According to the general model, a group of insurance contracts is measured on the basis of the Savings Banks Group's estimates of the future cash flows arising from the performance of the contract, a separate risk adjustment for non-financial risks, and a service margin.

The IFRS 17 standard will change the presentation of the income statement and balance sheet. The insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income and expenses will need to be disaggregated in the income statement. The rights and obligations of insurance contracts will be netted and presented in the balance sheet as either assets or liabilities. The Savings Banks Group will not present adjusted comparison figures for the financial year 2022 in its financial statements for 2023.

According to the IFRS 17, the retrospective approach must be applied in adopting the standard unless doing so is impracticable. When IFRS 17 is applied retrospectively, groups of insurance contracts are recognised and measured as if the standard had always been applied. The net effect of the retrospective transition is recognised in equity on the balance sheet at the transition date. If applying the retrospective approach is impracticable, the modified retrospective approach or the fair value approach may be applied when adopting the standard.

According to a preliminary assessment, the Savings Banks Group will apply the retrospective approach when adopting IFRS 17 with regard to insurance contracts that concern loan security and were initially recognised after 31 December 2018. The fair value approach will be applied to insurance contracts that were in effect prior to 31 December 2018. In the fair value approach, the contractual service margin or loss component of the liability for remaining coverage at the transition date is determined as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

The Savings Banks Group has a separate project underway to prepare for the adoption of the standard, review the need for changes and assess the impact of the IFRS 17 standard on the financial position and profit of the Savings Banks Group.



PROFIT FOR THE PERIOD

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 Financial Statements is based on the same division as is applied in management reporting.

The chief operating decision maker of the Savings Banks Group is the Board of Directors of Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation of Savings Banks. According to the rules of Savings Banks' Union Coop, the Board of Directors of the Central Institution bears the primary responsibility for allocating the resources and evaluating the performance of the Savings Banks Group.

The reportable segments of the Savings Banks Group include Banking as well as Asset Management Services. Operations not included in the reportable segments are presented in the reconciliations.

The Banking segment comprises the member Savings Banks, the Central Bank of Savings Banks Finland Plc and Sp Mortgage Bank Plc. Savings Banks practice retail banking. The Central Bank of Savings Banks acts as the central bank of the Savings Banks. Sp Mortgage Bank Plc is engaged in mortgage banking. The most significant income items of Banking are net interest income, fee and commission income as well as investment income. The most significant expense items consist of personnel expenses and other operating expenses.

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

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

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 1–6/2022

(EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	85,541	-174	85,367
Net fee and commission income	39,083	20,133	59,217
Net investment income	-17,387	1	-17,386
Net life insurance income		6,882	6,882
Other operating revenue	47,973	212	48,185
Total operating revenue	155,210	27,055	182,265
Personnel expenses	-33,034	-4,343	-37,377
Other operating expenses	-86,895	-5,894	-92,789
Total operating expenses	-119,929	-10,237	-130,167
Net impairment loss on financial assets	-7,787		-7,787
Profit before tax	27,494	16,818	44,312
Taxes	-5,631	-4,572	-10,203
Profit	21,862	12,246	34,109
Statement of financial position 30 June 2022			
Cash and cash equivalents	1,210,407		1,210,407
Loans and advances to credit institutions	181,413		181,413
Loans and advances to customers	9,996,431		9,996,431
Derivatives	5,031		5,031
Investment assets	873,173		873,173
Life insurance assets		1,009,452	1,009,452
Other assets	163,514	9,714	173,228
Total assets	12,429,969	1,019,166	13,449,135
Liabilities to credit institutions	543,719		543,719
Liabilities to customers	7,868,376		7,868,376
Derivatives	151,685		151,685
Debt securities issued	2,609,324		2,609,324
Life insurance liabilities		953,109	953,109
Subordinated liabilities	9,709		9,709
Other liabilities	134,107	21,366	155,473
Total liabilities	11,316,921	974,475	12,291,395
Number of emplyees at the end of the period	956	74	1,030

RECONCILIATIONS

	1-6/2022	1-6/2021
Revenue		
Total revenue for reportable segments	182,265	165,744
Non allocated revenue, other operations	851	-226
Total revenue of the Group	183,117	165,518
Profit		
Total profit or loss for reportable segments	34,109	35,587
Non allocated amounts	-1,631	-609
Total profit of the Group	32,478	34,978

	30.6.2022	31.12.2021
Assets		
Total assets for reportable segments	13,449,135	13,096,242
Non allocated assets, other operations	12,989	-17,146
Total assets of the Group	13,462,123	13,079,096
Liabilities		
Total liabilities for reportable segments	12,291,395	11,867,910
Non allocated liabilities, other operations	16,717	20,894
Total liabilities of the Group	12,308,113	11,888,804

INCOME STATEMENT 1–6/2021

(EUR 1,000)	Banking	Asset Manage-ment Services	Reportable segments in total
Net interest income	81,501	-99	81,402
Net fee and commission income	36,103	19,103	55,206
Net investment income	10,697	-132	10,565
Net life insurance income		10,588	10,588
Other operating revenue	7,935	48	7,983
Total operating revenue	136,236	29,509	165,744
Personnel expenses	-33,648	-3,866	-37,514
Other operating expenses	-76,985	-5,112	-82,097
Total operating expenses	-110,634	-8,978	-119,612
Net impairment loss on financial assets	-2,050		-2,050
Profit before tax	23,552	20,531	44,083
Taxes	-4,379	-4,117	-8,496
Profit	19,173	16,414	35,587
Statement of financial position 31 December 2021			
Cash and cash equivalents	1,067,906		1,067,906
Loans and advances to credit institutions	128,143		128,143
Loans and advances to customers	9,529,240		9,529,240
Derivatives	54,097		54,097
Investment assets	951,792		951,792
Life insurance assets		1,132,963	1,132,963
Other assets	295,707	11,035	306,741
Total assets	12,026,886	1,143,997	13,170,883
Liabilities to credit institutions	435,718		435,718
Liabilities to customers	7,815,619		7,815,619
Derivatives	7,394		7,394
Debt securities issued	2,463,987		2,463,987
Life insurance liabilities		1,057,560	1,057,560
Subordinated liabilities	25,746		25,746
Other liabilities	131,844	26,600	158,444
Total liabilities	10,880,308	1,084,160	11,964,468
Number of emplyees at the end of the period	940	79	1,019

NOTE 4: NET INTEREST INCOME

Interest income and expense are accrued over maturity using the effective interest rate method. Using this method, the income and expenses arising from an instrument are accrued in relation to the residual receivable and liability in the balance sheet until maturity. Interest income and expense related to life insurance financial assets are recognised under “Net income from life insurance” in the income statement.

When a financial asset is impaired, the original effective interest rate is used when calculating interest income. Interest is calculated for the loan balance less impairment.

(EUR 1,000)	1-6/2022	1-6/2021
Interest income		
Debt securities eligible for refinancing with Central Bank	2,001	2,215
Loans and advances to credit institutions	189	174
Loans and advances to customers	74,861	72,071
Debt securities	3,154	3,482
Derivative contracts		
Hedging derivatives	10,826	11,179
Other	2,683	1,376
Total	93,715	90,497
Interest expense		
Liabilities to credit institutions	-1,837	-1,923
Liabilities to customers	-1,926	-2,789
Derivative contracts		
Hedging derivatives	-660	-267
Debt securities issued	-3,606	-3,709
Subordinated liabilities	-108	-239
Other	-211	-189
Total	-8,347	-9,117
Net interest income	85,367	81,380

NOTE 5: NET FEE AND COMMISSION INCOME

Net fee and commission income consists of the income and expenses associated with services provided to customers. As a rule, fees and commissions for performing an action or a service are recognised when the performance obligation towards the customer has been satisfied and control has been transferred. Income is recognised at the amount which the Savings Banks Group believes it is entitled to in exchange for the services performed. The Savings Banks Group's most significant fee and commission income items are related to payment transactions, lending and funds. The services involve various fees for which the performance obligations are mainly satisfied at a point in time, which is also when the customer is charged the fee.

If a fee is charged at one point of time for a longer period of service provision, the income is recognised over time as the performance obligation is satisfied. Fees that are directly attributable to the effective interest of a financial instrument are, as a rule, treated as adjustments to the effective interest in accordance with. However, fee and commission income from financial instruments recognised at fair value through profit or loss is recognised in connection with the initial recognition of the instrument in question.

Fee expenses are recognised in net fee and commission income on a performance basis.

(EUR 1,000)	1-6/2022	1-6/2021
Fee and commission income		
Lending	11,305	10,590
Deposits	118	121
Payment transfers	25,714	23,079
Securities brokerage	431	664
Mutual fund brokerage	20,406	19,123
Asset management	353	326
Legal services	2,156	2,197
Custody fees	1,129	1,049
Insurance brokerage	837	752
Guarantees	1,189	1,057
Other	1,669	1,643
Total	65,305	60,600
Fee and commission expense		
Payment transfers	-2,994	-4,314
Securities	-323	-242
Mutual fund brokerage	-473	-336
Asset management	-558	-480
Other	-1,739	-178
Total	-6,088	- 5,550
Net fee and commission income	59,217	55,050

NOTE 6: NET INVESTMENT INCOME

Net investment income includes net income from financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income (capital gains and losses, expected credit losses and dividend income) and net income from investment property (rental and dividend income, capital gains and losses, maintenance charges and expenses, depreciation and amortization and rental expenses). In addition, this item includes net income from foreign exchange operations and net income from fair value hedge accounting.

(EUR 1,000)	1-6/2022	1-6/2021
Net income from financial assets at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	-310	427
Transferred from fair value reserve during the financial year	-164	329
Total Debt securities	-474	756
Shares and participations		
Dividend income	10	10
Total shares and participations	10	10
Total	-464	766
Net income from financial asset at fair value through profit or loss		
Debt securities		
Capital gains and losses	18	-25
Fair value gains and losses	-2,267	770
Shares and participations		
Dividend income	4,851	2,159
Capital gains and losses	-103	730
Fair value gains and losses	-13,130	7,139
Net income from foreign exchange operations	-4	4
Derivative contracts*)	1	1
Net income from hedge accounting		
Change in hedging instruments' fair value	-163,892	-28,263
Change in hedged items' fair value	157,996	26,682
Total	-16,532	9,198
* Including EUR -3 thousand (1) of the ineffective part of cash flow hedges.		
Net income from investment property		
Rental and dividend income	3,090	3,306
Capital gains and losses	187	1,173
Other income from investment property	49	40
Maintenance charges and expenses	-2,488	-2,456
Depreciation and amortisation of investment property	-1,202	-1,240
Rental expenses arising from investment property	-26	-79
Total	-390	744
Net investment income	-17,386	10,708

NOTE 7: NET LIFE INSURANCE INCOME

Net life insurance income includes premiums written, net investment income for life insurance, including e.g. net income from investment property, interest income and expense, as well as dividend income. Furthermore, claims incurred and changes in insurance contract liabilities are recognised in this item.

(EUR 1,000)	1-6/2022	1-6/2021
Premiums written		
Group's share	51,307	62,360
Insurance premiums ceded to reinsurers	-699	-522
Net investment income*	-135,807	72,498
Claims incurred		
Claims paid	-37,242	-34,531
Change in provision for unpaid claims	-942	-2,502
Change in insurance contract liabilities		
Change in life insurance provision	131,572	-85,605
Other	-1,306	-1,108
Net life insurance income	6,882	10,588

*** Net investment income**

	1-6/2022	1-6/2021
Net interest	11	-1
Dividend income	551	188
Realised capital gains and losses	21	161
Unrealised gains and losses	-134,193	70,121
Other investments	96	104
Net income from foreign exchange operation	95	170
Net income from unit-linked customer assets	-2,388	1,755
Total	-135,807	72,498

NOTE 8: IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

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

- Stage 1 includes financial assets for which the credit risk has not increased significantly between the date of initial recognition and the reporting date. The measurement of the expected credit loss for stage 1 financial assets is based on the probability of a default event being incurred within 12 months of the reporting date.
- Stage 2 includes financial assets for which the credit risk has increased significantly after the date of initial recognition. The measurement of the expected credit loss for stage 2 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.
- Stage 3 includes financial assets that are impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

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

FINANCIAL ASSETS WITHIN THE SCOPE OF MEASUREMENT OF EXPECTED CREDIT LOSS-ES BY IMPAIRMENT STAGE

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 30 June 2022				
Investment assets	737,802	3,477	3,200	744,480
Loans and advances	9,367,136	548,274	153,330	10,068,740
Off-balance sheet items	838,532	31,309	1,859	871,700
Total	10,943,471	579,583	158,388	11,684,920

	Stage 1	Stage 2	Stage 3	Total
Financial assets 31 December 2021				
Investment assets	749,114	3,194	3,200	755,508
Loans and advances	8,869,376	649,152	150,792	9,669,320
Off-balance sheet items	762,468	13,846	1,469	777,782
Total	10,380,957	666,191	155,461	11,202,610

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

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

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

- Forbearance: the credit risk of a performing financial asset subject to forbearance is deemed to have increased significanlty and the contract is migrated from stage 1 to stage 2. If the contract is forborne and non-performing or if a forbearance concession is made for a contract at the time of application, the contract is deemed to be impaired and is migrated to stage 3.

- Default: If the counterparty of a financial asset is in default, the contract is deemed to be impaired and is migrated to stage 3.

- PD% increase (investment assets): credit risk is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when the relative or absolute threshold for PD% increases is exceeded.

The financial asset can revert from stage 2 and 3 if its credit risk has improved significantly and it has consistently met the criteria for the previous stage during the length of the defined probation period. The length of the probation period for transition from stages 2 and 3 and 2 and 1 is three months.

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

EXPECTED CREDIT LOSSES (ECL), LOANS AND ADVANCES AND OFF-BALANCE SHEET ITEMS

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected credit losses 1 January 2022	3,407	2,512	36,859	42,777
Transfers to stage 1	238	-556	-38	-356
Transfers to stage 2	-316	1,727	-1,702	-290
Transfers to stage 3	-68	-362	3,651	3,221
New assets originated or purchased	1,954	20	1,594	3,568
Assets derecognised or repaid (excluding write offs)	-334	-491	-3,388	-4,213
Amounts written off			-778	-778
Amounts recovered			236	236
Change in credit risk	-71	352	2,609	2,889
Change in model for calculation of ECL	-104	215		112
Net change in ECL				4,389
Expected credit losses 30 June 2022	4,706	3,417	39,044	47,167

EXPECTED CREDIT LOSSES (ECL), INVESTMENT ASSETS

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected credit losses 1 January 2022	1,498	30	3,194	4,722
Transfers to stage 2	-4	2,440		2,436
New assets originated or purchased	339			339
Assets derecognised or repaid (excluding write offs)	-192	-814		-1,006
Change in credit risk	1,080		2	1,082
Net change in ECL				2,850
Expected credit losses 30 June 2022	2,720	1,656	3,197	7,572
Total expected credit losses 30 June 2022				54,739
Total change in expected credit losses 1 January 2022 -30 June 2022				7,240

METHODS AND PARAMETERS USED IN CALCULATION OF EXPECTED CREDIT LOSSES

The Savings Banks Group's assessment of expected credit loss is based on the PD*LGD*EAD model. For low-risk counterparties – including the public sector, financial institutions and state-guaranteed student loans the calculation is based on the Loss Rate model (Loss Rate*EAD). The calculations are carried out separately for each contract and based on the following parameters:

- PD% (only the PD/LGD model): probability of default based on external and internal credit ratings.
- Loss Rate% (only the Loss Rate model): a percentage figure established for each counterparty based on their sector code.
- LGD %: estimated loss at the time of default, takes into consideration the contract's available collateral.
- EAD: exposure at default is the annual average and takes into consideration instalments and advance repayments, calculated for the term of the contract and for the year, for products for which it has been modelled. Off-balance sheet items are considered to remain fixed until the end of the lifecycle of the contract. The undrawn commitment component is included in the calculation in full.

The calculation takes the time value of money into consideration by discounting the expected credit loss calculated for the contract. The effective interest rate is the contractual interest rate and it is calculated on the gross carrying amount in stages 1 and 2 and on the adjusted carrying amount in stage 3.

The Savings Banks Group assesses expected credit losses of debt securities belonging to investment assets by purchasing lot by using the PD*LGD*EAD model. The probability of default (PD) is based on credit ratings provided by Bloomberg and, if they are not available, external credit rating information, which is converted into PD values. The LGD values used in the calculation correspond to analysed historical actuals by investment type and are not assessed separately by issuer or investment.

The calculation of expected credit loss for the credit portfolio (loans and advances to customers and off-balance sheet items) includes forward-looking information by incorporating three different economic scenarios based on macroeconomic forecasts prepared by the Savings Banks Groups' Chief Economist. The effect of the changes in macroeconomic forecasts is modelled in the PD parameter that is used in calculation of ECL. The scenarios used in the calculation and their weights are the following: optimistic 20%, base 60% and pessimistic 20%. The forecast horizon of the economic scenarios used in ECL calculation is three years and in the years after that, the values of the macroeconomic factors are assumed to remain stable and be equivalent to the third-year values of the forecast period. The scenarios have been updated in June 2022. The key macroeconomic factors and their forecasted values for the next three years are presented below (the value variation range between different scenarios).

	2022	2023	2024
- Change in EuropeStoxx%	0.0% / 8.0%	3.0% / 6.0%	6.0%
- Change in GDP	0.0% / 2.5%	1.0% / 2.0%	1.20%
- Investments	2.0% / 4.0%	2.0% / 3.0%	1.50%

EFFECT OF CHANGES IN THE ECL MODEL

Change in the criteria of impairment stage 2

The stage 2 criteria for calculation of expected credit losses for loans and advances have been changed by replacing the previously applied criteria of credit rating deteroriation by four credit grades with increase in PD%. Following the amendment the contract will migrate to stage 2, if any of the following criteria is met:

- payment delay of more than 30 days,
- PD% increase that exceeds the defined absolute or relateive thresholds; or
- performing contract is marked as forborne.

Following the amendment there were contracts that migrated to stage 2 triggering an ECL increase by EUR 0,1 million. The effect of the amendment is presented in the line change in mode for calculation of ECL.

War in Ukraine and impacts of the economic sanctions agains Russia

The member banks of the Savings Banks Group have assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. At the time of reporting, the Savings Banks Group does not have significant direct or indirect sector-specific risk concentrations related to the Ukrainian, Russian or Belarusian markets in sectors such as agriculture, logistics, construction or industries dependent on energy commodities. If the exceptional situation continues, the member banks of the Savings Banks Group will monitor and report the development of their customers' credit risk and, if necessary, make an adjustment, based on the management's assessment, to the amount of expected credit losses.

The macroeconomic forecasts used in calculation of expected credit losses were updated in June 2022.

EXPECTED CREDIT LOSSES (ECL), LOANS AND ADVANCES TO CUSTOMERS 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 2021	6,114	2,738	34,497	43,349
Transfers to stage 1	937	-2,558	-767	-2,387
Transfers to stage 2	-1,113	9,373	-3,967	4,293
Transfers to stage 3	-202	-806	7,533	6,525
New assets originated or purchased	3,805	143	901	4,849
Assets derecognised or repaid (excluding write offs)	-1,045	-1,119	-3,466	-5,630
Amounts written off			-5,426	-5,426
Amounts recovered			587	587
Change in credit risk	-4,175	-3,663	8,878	1,040
Change in model for calculation of ECL	-599	-1,647	-2,189	-4,435
Net change in ECL				-584
Expected Credit Losses 31 December 2021	3,722	2,461	36,582	42,765

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 2021	4,336	111	3,253	7,699
Investments during the period	585			585
Investments expired	-828	-56	-144	-1,028
Change in credit risk	-2,618	5	86	-2,527
ECL net change				-2,970
Expected Credit Losses 31 December 2021	1,476	60	3,194	4,730
Total Expected Credit Losses 31 December 2021				47,495
Total change in Expected Credit Losses 1 January 2021 – 31 December 2021				-3,554

ASSETS

NOTE 9: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

CLASSFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Financial assets are classified on initial recognition based on the business model used for managing the group of financial assets in which the financial assets is held and characteristics of the cash flows of the instrument, specifically, whether the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model refers to how the Savings Banks Group manages its financial assets in order to generate cash flows. That is, the business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If cash flows are realised in a way that is different from the entity's expectations on the date that the entity assessed the business model, that does not give rise to a prior period error in the entity's financial statements nor does it change the classification of the remaining financial assets held in that business model.

Assesment of cash flow characteristics

Cash flow characteristics means the characteristics of the contractual cash flows of the financial asset. When assessing cash flow characteristics, it is determined whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, for example, interest only consists of consideration for the time value of money, credit risk and other basic lending risks. The cash flow criteria is assessed separately for each instrument and if the terms of the contract include factors that cannot be considered typical terms for lending, the financial asset is classified as measured at fair value through profit or loss.

Financial assets - measurement categories and principles for classification

Amortised cost

A financial asset is measured at amortised cost when both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of interest and payments of principal.

On initial recognition the Savings Banks Group may make an irrevocable choice to present the subsequent fair value changes of an equity instrument in other comprehensive income. This election is made on instrument basis. These financial assets are measured at fair value and the change in value is recognised, less deferred taxes, in the statement of other comprehensive income.

Financial assets measured at fair value through profit or loss

All items that are not measured at amortised cost or recognised at fair value through other comprehensive income are recognised at fair value through profit or loss. However, a financial asset may, at initial recognition, be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Changes in the classification of financial assets Investments in debt instruments are reclassified only when the Savings Banks Group changes the business models applied in the management of financial assets. The Savings Banks Group expects such changes to be highly infrequent and it has not reclassified any financial assets during the review period.

Classification and measurement of financial liabilities

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

- amortised cost
- fair value through profit or loss.

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

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

(EUR 1,000) 30.6.2022	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Non-financial assets / liabilities	Total
Cash and cash equivalents	10,738		1,199,669		1,210,407
Loans and advances to credit institutions	181,413				181,413
Loans and advances to customers	9,996,110		321		9,996,431
Derivatives					
hedging derivatives					
cash flow hedges			579		579
fair value hedges			4,445		4,445
other than hedging derivatives			8		8
Investment assets	58,517	633,409	157,643	33,918	883,488
Life insurance assets*		147,162	859,011	3,279	1,009,452
Total assets	10,246,778	780,571	2,221,675	37,197	13,286,221

(EUR 1,000) 30.6.2022	Amortized cost	Fair value through other comprehen-sive income	Fair value through profit or loss	Non-financial assets / liabilities	Total
Financial liabilities at fair value through profit or loss			10,314		10,314
Liabilities to credit institutions	543,719				543,719
Liabilities to customers	7,868,376				7,868,376
Derivatives					
hedging derivatives					
fair value hedges			151,568		151,568
other than hedging derivatives			117		117
Debt securities issued	2,609,324				2,609,324
Life insurance liabilities*	91,761		858,718	2,630	953,109
Subordinated liabilities	9,793				9,793
Total liabilities	11,122,974		1,020,717	2,630	12,146,321

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

Offsetting of financial assets and liabilities

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

				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000) 30.6.2022	Recog-nised 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				5,031	1,549		3,482
Total				5,031	1,549		3,482
Liabilities							
Derivative contracts				151,685		77,479	74,206
Total				151,685		77,479	74,206

(EUR 1,000) 31.12.2021	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Non-financial assets / liabilities	Total
Cash and cash equivalents	11,266		1,006,639		1,017,904
Loans and advances to credit institutions	129,484				129,484
Loans and advances to customers	9,602,512		271		9,602,782
Derivatives					
hedging derivatives					
cash flow hedges			1,527		1,527
fair value hedges			32,167		32,167
Investment assets	68,429	701,727	171,095	32,975	974,226
Life insurance assets*		163,084	992,787	4,813	1,160,683
Total assets	9,811,689	864,811	2,204,485	37,788	12,918,773
Financial liabilities at fair value through profit or loss			13,706		13,706
Liabilities to credit institutions	423,705				423,705
Liabilities to customers	7,682,351				7,682,351
Derivatives					
hedging derivatives					
fair value hedges			15,398		15,398
Debt securities issued	2,500,165				2,500,165
Life insurance liabilities*	90,619		990,491	3,618	1,084,728
Subordinated liabilities	13,427				13,427
Total liabilities	10,710,268		1,019,708	3,618	11,733,594

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

				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000) 31.12.2021	Recog-nised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instru-ments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				33,693	27,540		6,153
Total				33,693			6,153
Liabilities							
Derivative contracts				15,511		10,440	5,071
Total				15,511		10,440	5,071

NOTE 10: LOANS AND ADVANCES

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

30.6.2022

(EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	181,288	-13	181,275
Loans and other receivables	146	-8	138
Total	181,434	-21	181,413
Loans and advances to customers			
By products			
Used overdrafts	87,037	-1,034	86,003
Loans	9,312,886	-41,407	9,271,480
Interest subsidized housing loans	521,791	-1,317	520,474
Loans granted from government funds	11		11
Credit cards	119,767	-2,093	117,674
Guarantees	905	-117	788
Total	10,042,398	-45,967	9,996,431
Loans and advances total	10,223,832	-45,988	10,177,844

LOANS AND ADVANCES

31.12.2021

(EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	129,381	-13	129,368
Loans and other receivables	120	-4	116
Total	129,501	-17	129,484
Loans and advances to customers			
By products			
Used overdrafts	79,195	-933	78,262
Loans	8,966,563	-37,664	8,928,898
Interest subsidized housing loans	499,304	-1,428	497,876
Loans granted from government funds	37		37
Credit cards	98,479	-1,743	96,737
Guarantees	1,080	-109	971
Total	9,644,659	-41,877	9,602,782
Loans and advances total	9,774,160	-41,895	9,732,266

NOTE 11: DERIVATIVES AND HEDGE ACCOUNTING

The Savings Banks Group uses derivative contracts to hedge its interest rate risk from changes in fair value and cash flow and applies hedge accounting to 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. The aim of hedging is to stabilise net interest income and to neutralise potential change in the fair value of assets and liabilities.

The Savings Banks Group applies the IFRS 9 standard to hedging relationships within the scope of general hedge accounting. The IAS 39 carve out provisions are applied to the portfolio hedging of the fair value of interest rate risk (macro hedging) until new regulations concerning such hedging relationships enter into effect.

Derivative contracts are measured at fair value. The fair value of derivatives that hedge fair value is recognised in the balance sheet as a derivative receivable or liability and the change in fair value is recognised in the income statement under "Net investment income". When hedging fair value, the hedged item is also measured at fair value during hedging even if it would otherwise be measured at amortised cost. A change in the hedged item's fair value is recognised in the balance sheet as an adjustment to the balance sheet item and in the income statement under "Net investment income". Interest on hedging derivatives is presented as interest income and expense depending on their nature.

The effective portion of the fair value changes of derivatives hedging cash flow is recognised in the hedging instrument reserve in equity, adjusted with deferred taxes. The ineffective portion of fair value change is recognised directly in the income statement under "Net investment income". The cumulative change in the fair value reserve resulting from valuation of a hedging derivative is recognised in profit or loss as an adjustment of the hedged cash flow simultaneously with recognising the hedged cash flow. Interest on hedging derivatives is presented as interest income and expense depending on their nature.

When hedge accounting begins, the hedging relationship between the hedged item and the hedging derivative is documented, along with the risk management objectives and the strategy for initiating hedging. The effectiveness of the hedging relationship is assessed on a regular basis and always on reporting dates.

30.6.2022	**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*	560,000	1,285,000	988,000	2,833,000	4,452	151,685
Interest rate derivatives	560,000	1,285,000	988,000	2,833,000	4,452	151,685
Cash flow hedging**	10,000	20,000		30,000	579	
Interest rate derivatives	10,000	20,000		30,000	579	
Total	570,000	1,305,000	988,000	2,863,000	5,031	151,685
Derivatives total					5,031	151,685

* Fixed rate deposit (Liabilities to customers) designated as exposures in fair value hedging groups have total nominal value of EUR 2,813,000 thousand and total booking value of EUR 2,668,245 thousand. Nominal values of hedges equal to the nominal values of exposures.

Fixed rate issued bonds (Debt securitues issued) designated as exposures in fair value hedging groups have total nominal value of EUR 1,998,000 thousand and total booking value of EUR 1,871,551 thousand.

** Variable rate loans (Loans and advances to customer) designated as exposures in cash flow hedging groups have total nominal value of EUR 30,000 thousand and total booking value of EUR 30,000 thousand. Nominal values of hedges equal to the nominal values of exposures.

In the review period 1-6/2022, EUR -704 thousand of effective cash flow hedging was recognised in other comprehensive income.

The ineffective part of cash flow hedging totalled EUR -3 thousand in the review period 1-6/2022 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	475	312		787
Total	475	312		787

31.12.2021	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1-5 years	more than 5 years	Total	Assets	Liabilities
Other than hedging derivatives						
Interest rate derivatives	10,000	10,000		20,000		113
Total	10,000	10,000		20,000		113

	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	530,000	769,000	953,000	2,252,000	32,167	
Interest rate derivatives	530,000	769,000	953,000	2,252,000	32,167	
Cash flow hedging	10,000	30,000		40,000	1,527	15,398
Interest rate derivatives	10,000	30,000		40,000	1,527	15,398
Total	540,000	799,000	953,000	2,292,000	33,693	15,398
Derivatives total					33,693	15,511

In the financial year 2021, EUR -859 thousand of effective cash flow hedging was recognised in other comprehensive income.

The ineffective part of cash flow hedging totalled EUR 2 thousand in the financial year 2021 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	884	808		1,691
Total	884	808		1,691

NOTE 12: INVESTMENT ASSETS

(EUR 1,000)	30.6.2022	31.12.2021
At fair value through other comprehensive income		
Debt securities	632,481	700,771
Shares and participations	928	1,243
Total	633,409	702,014
Fair value through profit or loss		
Debt securities	15,190	18,573
Shares and participations	142,453	152,235
Total	157,643	170,808
Amortised cost investments		
Debt securities	58,543	68,482
Expected Credit Losses	-25	-53
Total	58,517	68,429
Investment property	33,918	32,975
Investment assets	883,488	974,226

BREAKDOWN BY ISSUER OF QUOTATION

30.6.2022 (EUR 1,000)	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Total
Quoted				
From public entities	138,851	595	56,273	195,718
From others	493,536	135,929	100	629,565
Other				
From others	1,022	21,119	2,145	24,286
Total	633,409	157,643	58,517	849,570

31.12.2021 (EUR 1,000)	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Total
Quoted				
From public entities	130,814	733	66,332	197,879
From others	561,615	156,573	100	718,288
Other				
From others	9,585	13,503	1,996	25,083
Total	702,014	170,808	68,429	941,251

NOTE 13: LIFE INSURANCE ASSETS

The Savings Banks Group applies a temporary exemption permitted by IFRS 4 and contracts classified as investment contracts are treated in accordance with IAS 39.

(EUR 1,000)	30.6.2022	31.12.2021
Investments covering for unit-linked policies		
At fair value through profit or loss		
Investment funds	529,763	604,864
Asset management portfolio	120,280	146,445
Other unit-linked covering assets	205,860	238,370
Investments covering for unit-linked policies total	855,903	989,680
Other investments		
At fair value through profit or loss		
Debt securities	3,107	3,107
Total	3,107	3,107
Available-for-sale financial assets		
Debt securities	3,299	1,602
Shares and participations	143,863	161,481
Total	147,162	163,084
Other investments total	150,270	166,191
Total life insurance investments	1,006,173	1,155,871
Other assets		
Premium receivables	-16	
Other receivables	3,009	4,544
Accrued income	286	269
Total	3,279	4,813
Total life insurance assets	1,009,452	1,160,683

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

	30.6.2022			31.12.2021		
(EUR 1,000)	Debt securities	Shares and participations	Derivative contracts	Debt securities	Shares and participations	Derivative contracts
Quoted						
From others		893,470			984,591	
Total		893,470			984,591	

LIABILITIES

NOTE 14: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30.6.2022	31.12.2021
Liabilities to credit institutions		
Liabilities to central banks*	68,000	68,000
Liabilities to credit institutions	475,719	355,705
Total	543,719	423,705
Liabilities to customers		
Deposits	7,885,651	7,652,061
Other financial liabilities	1,031	1,557
Change in the fair value of deposits	-18,306	28,733
Total	7,868,376	7,682,351
Liabilities to credit institutions and customers	8,412,096	8,106,057

* Liabilities to central banks include collateralized TLTRO III funding of which 30 million euros will mature on 18.12.2024 and 38 million euros on 27.3.2024. Interest for the period 24.6.2020 - 23.6.2022 was ECB deposit rate (-0,5%) deducted by additional interest of -0,5% due to the Savings Banks Group being able to fulfill the criteria set by the ECB for the growth of net lending during the review periods. Interest for the period between 24.6.2022 and the original maturity date or early redemption date will be fixed based on the ECB's average deposit rate during the whole duration of the loans.

NOTE 15: DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2022	31.12.2021
Measured at amortised cost		
Bonds	701,896	845,891
Covered bonds	1,799,551	1,500,137
Other		
Certificates of deposit	107,877	154,137
Debt securities issued	2,609,324	2,500,165
Of which		
Variable interest rate	401,241	444,180
Fixed interest rate	2,208,084	2,055,985
Total	2,609,324	2,500,165

ISSUED COVERED BONDS

(EUR 1,000)	Nominal value	Carrying amount	Maturity	Interest base	Coupon	Maturity date
Sp Mortgage Bank 2017	500,000	499,687	5 years	Fixed	0.125 %	24.10.2022
Sp Mortgage Bank 2019	500,000	498,338	7 years	Fixed	0.050 %	19.6.2026
Sp Mortgage Bank 2021	500,000	502,599	7 years	Fixed	0.010 %	28.9.2028
Sp Mortgage Bank 2022	300,000	298,927	3 years	Fixed	1.000 %	28.4.2025
Total	1,800,000	1,799,551				

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

NOTE 16: LIFE INSURANCE LIABILITIES

Classifying insurance policies into insurance and investment contracts

Life insurance policies granted by the Savings Banks Group are classified as either insurance contracts or investment contracts. Insurance policies classified as insurance contracts include those with a significant insurance risk or where the policyholder has the right or the opportunity to amend the agreement in such a way that he becomes entitled to a discretionary share of the company's surplus. Purely unit-linked insurance policies which do not have a significant insurance risk are classified as investment contracts.

The Savings Banks Group's insurance contracts are treated in the Savings Banks Group's financial statements in accordance with IFRS 4 Insurance Contracts. Reinsurance contracts are treated in accordance with IFRS 4 as insurance contracts.

Liabilities for insurance and investment contracts

Insurance liabilities are recognised in accordance with the Finnish Accounting. The actuarial basis of calculation used when determining insurance contract liability complies with the requirements of national regulations. The basis includes assumptions about biometric factors, operating costs and the interest rate.

Insurance contract liability for unearned premiums and the liability for outstanding pensions are defined based on insurance savings, which consist of premiums paid, credits, debits and value changes, supplementing it with future interest and operating expense. The discount rate for insurances entitling the policyholder to discretionary benefits is at maximum 0.5 per cent. The average discount rate is 0.1 per cent.

Outstanding claims provisions other than the liability for outstanding pensions are short-term liabilities which consist of reported but not settled claims and incurred but not reported claims. Liability for the reported but not settled claims is valued at nominal value, whereas liability for incurred but not reported claims is calculated on an actuarial basis.

Reinsurance-related receivables and liabilities are measured similarly to the cedant's liabilities and assets. Should the company have any due receivables, these receivables would incur impairment in profit or loss.

Liability arising from investment contracts is measured in accordance with the market value of the assets related to the investment contracts.

Adequacy test of liabilities for insurance policies

According to IFRS 4, an insurer shall assess at each reporting date whether the recognized insurance liabilities are adequate, using current estimate of future cash flows from insurance contracts. Liability adequacy test is performed on the insurance contracts of the Savings Banks Group, which are valued according to IFRS 4. In the liability adequacy test, the liability book value based on the national principles for insurance contracts is compared with the present value of all of the cash flows related to the insurance contracts including a risk margin. If the liability adequacy test shows that the liability calculated based on the Finnish accounting principles is, as a whole, less than the market value of liability, then an add-on equal to the difference between the two liabilities is added to the liability of the Savings Banks Group.

The life insurance business' equity principle

The objective of the Savings Banks Group's life insurance business is in the long term to provide the insurance savings with discretionary benefits a total benefit (before charges and taxes) equivalent to the level of return on the Finnish government's long-term bond yields. For savings insurance policies, the target is to achieve a level of return equivalent to that of 5-year bonds, whereas for pension insurances the target level for return equals 10-year bonds. The total benefit of an investment policy refers to the technical or annual interest of the insurance contract and to the additional interest credited to the contract.

(1 000 euroa)	30.6.2022	31.12.2021
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	91,761	90,619
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	496,579	583,321
Liabilities for unit-linked investment contracts	362,139	407,170
Reserve arising from liability adequacy test		
Other liabilities		
Accrued expenses and deferred income	2,332	3,009
Other	297	609
Life insurance liabilities	953,109	1,084,728

OTHER NOTES

NOTE 17: FAIR VALUES BY VALUATION TECHNIQUE

FAIR VALUE MEASUREMENT

The Savings Banks Group measures assets and liabilities at amortised cost or at fair value. Financial assets and liabilities that are classifed as to be measured at fair value are measured at fair value. The break down of financial assets and liabilities into measurement categories is presented in note 9.

Fair value is the price that would be attained if the asset was sold or would be paid to transfer the liability from one market party to another in a standard business transaction taking place on a valuation day. The fair values of financial instruments are primarily determined using quotations on a publicly traded market or, if active markets do not exist, on the company's own valuation methods. A market is considered active if price quotations are readily and regularly available and if they reflect real and regularly occurring arm's-length market transactions. Current bid price is used as the quoted market price of a financial asset.

If the market has a well-established valuation technique for a financial instrument for which there is no direct market price available, the fair value is based on the commonly used valuation model and on the market quotations of the input data used in the model. If there is no well-established valuation technique in the market, the fair value is determined based on a specific valuation model created for the product in question. The valuation models are based on widely used measuring techniques, incorporating all the factors that market participants would consider when setting a price. The valuation prices used include market transaction prices, the discounted cash flow method, as well as the fair value of another substantially similar instrument at the reporting date. The valuation methods take into account an estimate of credit risk, applicable discount rates, early repayment option, and other such factors that may impact reliable determination of the fair value of the financial instrument. In respect of cash and deposits payable on demand, the nominal value is considered as an approximation of the fair value.

Investment property in the Group's financial statements is measured at cost less depreciation and impairment. The fair value of investment property is presented in the notes. Fair values are determined on the basis of market prices which are as comparable as possible or a valuation model which is based on net income from investment property. An independent appraiser's opinion on the valuation is sought for the most material properties.

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

FAIR VALUE HIERARCHY

The fair values are divided into three hierarchical levels, depending on how the fair value is defined. The fair value hierarchy level into which an item measured at fair value is fully classified is determined by the input data which is at the lowest level and is significant in respect of the whole item. The significance of input data is evaluated considering the whole item which is valued at fair value.

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

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

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

TRANSFERS BETWEEN THE HIERARCHY LEVELS

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

In the period 1-6/2022, there were no transfers between levels 1 and 2.

The table presents carrying amounts and fair values of financial assets and liabilities as well as investment properties and break down of fair values into the levels of fair value hierarchy. The vair values presented exclude accrued interest and possible effects arising from hedging derivative instruments.

30.6.2022		Fair value by hierarchy level			
Financial assets (EUR 1,000)	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value					
At fair value through profit or loss					
Banking	1,357,633	1,345,665		11,968	1,357,633
Asset Management Services*	859,011	859,011			859,011
Derivative contracts					
Banking	5,031		5,031		5,031
Asset Management and Life Insurance					
Fair value through other comprehensive income					
Banking	633,409	632,174		1,235	633,409
Asset Management Services*	163,084	147,835		15,249	163,084
Measured at amortised cost					
Investments, Banking	58,517	58,519			58,519
Loans and other receivables, Banking	10,188,261		11,310,554		11,310,554
Total financial assets	13,249,024	3,025,695	11,315,585	30,040	14,371,319
Investment property					
Banking	33,918			62,459	62,459
Total	33,918			62,459	62,459

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

30.6.2022		Fair value by hierarchy level			
Financial liabilities (EUR 1,000)	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value					
At fair value through profit or loss					
Banking	10,314	10,314			10,314
Asset Management Services*	858,718	858,718			858,718
Derivative contracts					
Banking	151,685		151,685		151,685
Measured at amortised cost					
Banking	11,031,213	2,370,358	8,028,830	639,842	11,039,031
Total financial liabilities	12,051,930	3,239,390	8,180,515	639,842	12,059,747

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

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 2022	11,442		11,442
Purchases	1,682		1,682
Matured during the period	-500		-500
Changes in value recognised in income statement, realised	-36		-36
Changes in value recognised in income statement, unrealised	-620		-620
Carrying amount 30 June 2022	11,968		11,968

Changes in fair 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 2022	1,247	14,891	16,138
Purchases		1,368	1,368
Matured during the period	2		2
Changes in value recognised in comprehensive income statement	-14	578	564
Carrying amount 30 June 2022	1,235	16,837	18,072

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

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

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)

30.6.2022	Carrying amount	Effect of hypothetical changes' on profit, negative
At fair value through profit or loss		
Banking	11,968	-79
Total	11,968	-79
Fair value through other comprehensive income		
Banking, liabilities	1,235	
Asset Management Services	16,837	-2,853
Total	18,072	-2,853
Total	30,040	-2,932

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 instruments 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.

31.12.2021		**Fair value by hierarchy level**			
Financial assets (EUR 1,000)	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value					
At fair value through profit or loss					
Banking	1,178,004	1,166,562		11,442	1,178,004
Asset Management Services*	992,787	992,787			992,787
Derivative contracts					
Banking	33,693		33,693		33,693
Fair value through other comprehensive income					
Banking	701,727	700,480		1,247	701,727
Asset Management Services*	163,084	147,835		15,249	163,084
Measured at amortised cost					
Investment assets, banking	68,429	68,800			68,800
Loans and advances, banking	9,743,261		11,146,790		11,146,790
Total financial assets	12,880,985	3,076,464	11,180,483	27,938	14,284,886
Investment property					
Banking	32,975			62,459	62,459
Total	32,975			62,459	62,459

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

31.12.2021		Fair value by hierarchy level			
Financial liabilities (EUR 1,000)	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value					
At fair value through profit or loss					
Banking	13,706	13,706			13,706
Asset Management Services*	990,491	990,491			990,491
Derivative contracts					
Banking	15,511		15,511		15,511
Measured at amortised cost					
Banking	10,619,649	2,370,358	7,621,940	639,842	10,632,141
Total financial liabilities	11,639,357	3,374,555	7,637,452	639,842	11,651,849

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

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 2021	22,949	947	23,896
Purchases	4,752		4,752
Sales	-13,444	-1,001	-14,445
Matured during the period	-1,506		-1,506
Changes in value recognised in income statement, realised	-2	54	52
Changes in value recognised in income statement, unrealised	-365		-365
Transfers from level 1 and 2	362		362
Transfers between levels 1 and 2	-1,304		-1,304
Carrying amount 31 December 2021	11,442		11,442

Changes in fair 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 2021	4,740	6,930	11,671
Purchases	2,371	7,143	9,514
Sales	-3,482		-3,482
Matured during the period	26		26
Changes in value recognised in income statement, realised	-523		-523
Changes in value recognised in comprehensive income statement	-1,887	818	-1,069
Carrying amount 31 December 2021	1,247	14,891	16,138

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)

31.12.2021	Carrying amount	Negative effect of hypothetical changes' on profit
At fair value through profit or loss		
Banking	11,442	-82
Total	11,442	-82
Fair value through other comprehensive income		
Banking	1,247	-26
Asset Management Services	15,249	-2,297
Total	16,496	-2,323
Total	27,938	-2,405

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: COLLATERALS

(EUR 1,000)	30.6.2022	31.12.2021
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans *	2,210,499	2,295,920
Other	189,744	57,924
Collateral given	2,400,243	2,353,844
Collateral received		
Real estate collateral	9,382,430	9,057,673
Securities	65,695	68,683
Other	180,460	142,654
Guarantees received	42,333	63,354
Collateral received	9,670,918	9,332,365

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

NOTE 19. OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	30.6.2022	31.12.2021
Guarantees	80,634	79,396
Commitments related to short-term trade transactions	883,327	790,581
Other	1,484	1,656
Off balance-sheet commitments	965,445	871,633

NOTE 20: 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 2021.

Savings Bank

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