SAVINGS BANKS GROUP'S

HALF-YEAR REPORT 1 JANUARY–30 JUNE 2019

Savings Bank

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Table of contents

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REVIEW BY THE MANAGING DIRECTOR

The Savings Banks Group is a growing, Finnish banking group focusing on savings and investments and financing private and corporate customers, already serving more than 470,000 private and corporate customers. Our goal is to offer our customers the best combination of digital and personal, face-to-face finance and investment services on the market. Our personal service network is among the biggest in Finland.

The most important distinguishing feature of the Savings Banks Group is its focus on the customer experience. We want to provide our customers services that sustainably enhance their financial well-being in the long term. A key operational performance indicator for the Group is customer satisfaction, and related measurements show that the Savings Banks Group is one of the market leaders in its sector as well as across industry boundaries.

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

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

Finance and investment activities are rapidly migrating to digital user interfaces. In early 2019, the Savings Banks Group published a new mobile banking application that has met a good reception among our customers. We will continue to develop the mobile banking platform further to keep it the best mobile banking platform on the market into the future. The level of the digital customer experience is essentially linked to the quality and degree of automation of the processes behind the digital services. In order to secure functioning background processes and good resources for future service development, we concluded an extensive agreement on reforming our core banking system in early 2019. This project will be among our key investments and development projects in the years to come.

The Savings Bank Group grew as planned during the first half of the year and generated an excellent operating profit. Net interest income grew strongly (+3.4% year-on-year) thanks to growth in the volume and low refinancing costs. Net fee and commission income outgrew the net interest income proportionally (+6.1%). The growth was primarily due to increasing payment transactions. Investment income was at a very good level thanks to decreasing interest rates and rising stock markets.

Extensive investments in customer experience and the technology to support it as well as the regulatory requirements increased the banking group's expenses during the first half of the year (+7.6%). Expenses increased especially in IT and personnel expenses.

Three savings bank mergers were announced during the review period, of which two have already been completed. The mergers will facilitate a better customer experience at a lower cost.

Tomi Närhinen
CEO, Savings Banks' Union Coop

The Savings Banks Group and the Savings Banks Amalgamation

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

The member organizations of the Savings Banks Amalgamation (hereinafter also "the Amalgamation") form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 21 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc and the companies within the consolidation groups of the above-mentioned entities, as well as Savings Bank Services Ltd and Sp-Fund Management Company Ltd. The coverage of the Savings Banks Group differs from that of the Savings Banks Amalgamation in that the Savings Banks Group also includes institutions other than credit and financial institutions or service companies. The most notable of these are Sb Life Insurance Ltd and Sp-Koti Oy.

During the review period, two savings bank mergers were completed. Kiikoisten Säästöpankki merged with Huittisten Säästöpankki and Suomenniemen Säästöpankki merged with Säästöpankki Optia. Due to these mergers, the number of savings banks in the Amalgamation and in the Group declined from 23 to 21 banks. These mergers have no effect on the Group's profit, as they are intra-group transactions.

The Savings Banks Group and other owners of Oy Samlink Ab sold their holdings on 1st of April 2019 to Cognizant Technology Solutions Finland Oy. Before the transaction, the share of The Savings Banks Group of Samlink Oy Ab was 42 percent and the company was consolidated as an associated company in the Group's consolidated financial statements. The share transaction had a positive impact of approximately 11 million Euros on Savings Banks Group's operating profit for the reporting period.

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

Description of the operational environment

Global economic outlook

Uncertainty over the development of global economic growth increased during the first half of 2019 and the economic outlook worsened. The trade policy tension between the United States and China became a central theme. In addition, the United Kingdom leaving the European Union caused a domestic policy crisis as a result of which the exit had to be postponed. This in part had a negative impact on industry and consumer confidence in Europe. Uncertainty over the global trade outlook impaired the outlook for industry, and global economic growth is expected to slow down to the level of 3.2 per cent during 2019. Central banks' monetary policy is changing to a stimulating direction, which in part reduces the negative shock arising from global obstacles to trade.

Economic growth in the euro zone was modest, and the change was 1.2 per cent during the first quarter year-on-year. The development of the labour market has continued to be good in the euro zone, and the unemployment rate has decreased. Trade policy tensions and uncertainty over economic growth have manifested themselves as decreasing confidence indicators. In particular, industrial confidence indicators decreased during the first half of 2019. The increase in core inflation ground to a halt during the second half of last year, and expectations regarding the ECB's monetary policy changed to a significant extent. The European Central Bank estimates that key interest rates will remain at their current level until at least mid-2020.

Economic growth in the United States has remained stable, and the change was 3.1 per cent during the first quarter year-on-year. The unemployment rate is exceptionally low, even though fewer new jobs were created than the previous year. Uncertainty regarding trade policy and the administration's planned changes in import duties could be seen in the slowing down of industrial production. Industrial confidence indicators decreased strongly during the first half of 2019. In spite of the impairment of industrial outlook, consumer confidence continued to be strong and retail sales grew during the first quarter. Expectations regarding the monetary policy of the US Federal Reserve changed significantly after the turn of the year. The increase in the key interest rate stopped after a three-year rise, and the market began to price interest rate cuts. Underlying the change is the low consumer price inflation and uncertainty over the potential impacts of a trade war on economic growth. Inflation expectations turned to a decline during the fourth quarter of 2018 and have continued to decrease during 2019.

Interest rate environment

Interest rates remained at a very low level during the review period. Short-term interest rates decreased towards the end of the period after being relatively stable during the first months of the year. On the other hand, the decrease in long-term interest rates continued almost throughout the review period. No significant change in the situation is in sight due to the the euro zone's weak economic growth and subdued inflation, which has also delayed the normalisation of the ECB's monetary policy.

The prevailing flat yield curve presents challenges to net interest income in banking operations due to low maturity transformation income. Furthermore, regulatory requirements (LCR and, effective from 31 December 2018, MREL) combined with the ECB's negative deposit rate result in increased burden on the net interest income.

Investment markets

The year 2019 got off to a very favourable start from the point of view of investment markets. In spite of economic uncertainties, nearly all asset categories showed a positive income. As central banks announced changes in monetary policy in a more stimulating direction, investors' risk appetites increased significantly. The fourth quarter of 2018 was soft in the investment market, and the return of investors' confidence was particularly evident in the strong increase in share prices. Decreasing interest rates increased the return from government loan investments and corporate bonds during the first half of the year. A significant decrease was seen in long-term interest rates, both in the euro zone and the United States. Stock market returns were lower in emerging markets than other regions. Underlying the differences in returns is uncertainty arising from the slowing down of global trade and worsened economic outlook in China.

The Finnish economy

The outlook of the Finnish economy has worsened as global economic growth has slowed down. In particular, the outlook of exports has worsened. Adjusted for seasonal fluctuations, the Finnish GDP increased by 1.2 per cent year-on-year during the first quarter and is therefore close to the economic growth in the rest of the euro zone. A slowing down of economic growth in the euro zone will have a significant impact on the Finnish economy, as 40 per cent of the value of exports of goods is bound for other euro zone countries. Even though the Confederation of Finnish Industries' confidence indicator decreased strongly last year, growth in industrial production has remained at a good level. The employment rate has improved and households' purchasing power has developed favourably. These factors support economic growth, which depends on domestic consumption as export demand slows down. An increase in the employment rate from its current level requires faster economic growth, which is challenging in the prevailing situation of the world economy. Finland's economic growth is expected to be around 1.5 per cent this year.

The housing market in Finland

The factors that influence housing transactions (employment rate, interest rates and consumer confidence) should have supported a positive climate in the housing market. However, this was not the case. The transaction volume for old apartments decreased by 1.4 per cent in January–April year-on-year. The factors behind the decrease include the large number of newly constructed apartments, lower investor interest in residential investments and a lower number of first-time home buyers. There was a growing divide between housing markets in different geographic regions. Uusimaa and other major cities, Turku in particular, saw continued growth, while many other regions, such as Kainuu, Kymenlaakso and Southern Savonia, moved in the opposite direction. This polarisation is significantly influenced by regional trends in population size and the size of the labour force. We predict that the transaction volume for old apartments will decrease by 0–5 per cent in 2019.

The decrease in the demand for residential investments that began last year continued during the first half of the year. This is due to strong growth in the supply of rental apartments and even excess supply in several cities. The increased supply curbed the rise in rents to a significant degree. In particular, purchases by housing funds have declined significantly. Many investors also decided to sell some of their residential investments, which was reflected in an increased supply of small apartments in several cities. There is even excess supply of these small apartments in several cities, which has contributed to them being longer on the market and the increase in prices at least coming to a halt.

New construction activity will continue to be strong this year in spite of waning demand. The number of issued building permits and start-ups of new sites are already on an obvious decline. This suggests growing caution among construction firms. This cautious attitude is attributable to the decreasing demand for residential investments and consumer demand, as well as the public debate regarding tightening terms and conditions for housing company loans. The low availability of plots in good locations is also a factor. Construction firms are now increasingly focusing on renovation. The transaction volume for newly constructed apartments decreased by 13.4 per cent in January–April. We predict that the transaction volume for newly constructed apartments will fall by 10–20 per cent in 2019.

The prices of old apartments and terraced houses increased by 1.5 per cent in the Helsinki Metropolitan Area during Q1 and decreased by 0.2 per cent in the rest of Finland, i.e. there was strong differentiation in the price increase. We predict that the prices of old apartments will remain largely unchanged or even decline slightly throughout the country in 2019. The factors affecting prices include the increased uncertainty regarding the overall economic situation and the decrease in new construction.

The Savings Banks Group's Income statement and Financial position

Savings Banks Group's ratios and key figures

(1,000 euros)	1-6/2019	1-12/2018	1-6/2018
Revenue	193,862	278,517	146,750
Net interest income	77,279	152,704	74,714
% of revenue	39.9 %	54.8 %	50.9 %
Profit before taxes	66,629	36,408	29,106
% of revenue	34.4 %	13.1 %	19.8 %
Total operating revenue	172,965	234,670	124,945
Total operating expenses	-105,590	-197,718	-98,141
Cost/income ratio %	61.0 %	84.3 %	81.9 %
Total assets	12,551,965	11,705,740	11,405,191
Total equity	1,091,423	1,028,796	1,031,548
Return on equity %	9.6 %	3.0 %	2.4 %
Return on assets %	0.8 %	0.3 %	0.2 %
Equity/assets ratio %	8.7 %	9.2 %	9.0 %
Solvency ratio %	18.7 %	18.2 %	18.5 %
Impairment losses on financial assets	-1,624	-3,868	1,448

Profit trends (comparison figures 1–6/2018)

Profit before tax of the Savings Banks Group was EUR 66.6 million (EUR 29.1 million). Profit for the period was EUR 50.9 million (EUR 25 million), of which the share of the owners of the Savings Banks Group was EUR 50 million (EUR 24.5 million).

The Savings Banks Group's operating income totalled EUR 173 million (EUR 124.9 million). There was growth in net interest income, net fee and commission income, net investment and life insurance income and other operating income.

Despite the continued low level of market interest rates, net interest income grew by 3.4% to EUR 77.3 million (EUR 74.7 million). The increase in net interest income can be attributed to increased lending and the low price of refinancing. The share of derivatives used for the management of interest rate risks of net interest income remained on a par with the comparison period, amounting to EUR 11.8 million (EUR 11.8 million).

Net fee and commission income grew by 6.1% to EUR 44 million (EUR 41.5 million). The most significant increase in net fee and commission income was seen in commissions on payment transactions.

Net investment income amounted to EUR 28.1 million (EUR -1 million), of which unrealised changes in the value of financial assets measured at fair value through profit or loss accounted for EUR 25.8 million.

Net life insurance income totalled EUR 8.9 million (EUR 7.7 million). Premiums written decreased from the comparison period, amounting to EUR 46 million (EUR 80.6 million). Claims incurred increased significantly, amounting to EUR 51.4 million (EUR 34.9 million).

Other operating income amounted to EUR 14.7 million (EUR 1.9 million). The sum includes a capital gain of EUR 11.5 million from the divestment of Samlink shares. Moreover, income relating to the sale of card credit receivables was recognised in other operating income during the period.

Operating expenses grew by 7.6 per cent to EUR 105.6 million (EUR 98.1 million).

Personnel expenses grew by 1.7% to EUR 43.5 million (EUR 42.8 million). The number of personnel as of 30 June 2019 was 1,422 (1,428).

Other administrative expenses grew by 13.4% to EUR 44.1 million (EUR 38.9 million). The Group's IT expenses increased in particular, due to investments in development. Other operating expenses decreased by 15.4% to EUR 8.9 million (EUR 10.5 million). The change is due to an amendment to the accounting process resulting from the adoption of IFRS 16 Leases, whereby leases under the IFRS 16 standard are recognised on the Group's balance sheet. Depreciation is recorded on a capitalised item and an interest expense is recognised on the liability recorded on the liability side of the balance sheet. The rent expenses recognised for leases are adjusted correspondingly. IFRS 16 decreased the Group's rent expenses by EUR 1.5 million during the review period.

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets amounted to EUR 9.1 million (EUR 6.0 million). Approximately one half of the increase can be attributed to the amendment to the recognition principle due to IFRS 16 Leases. The rest of the increase in depreciation and amortisation is due to the increase in development expenses in recent years.

The Group's cost to income ratio was 61% (81.9%). The volatility of result caused by unrealised changes in value included in net investment income has a significant impact on the Group's cost to income ratio.

Impairment on financial assets amounted to EUR -1.6 million (EUR 1.4 million).

Balance sheet and financing (comparison figures 31 December 2018)

The balance sheet of the Savings Banks Group totalled EUR 12.6 billion on 30 June 2019 (EUR 11.7 billion), representing growth of 7.2 per cent from the turn of the year. The Group's return on assets was 0.8% (0.3%).

Loans and advances to customers amounted to EUR 8.8 billion (EUR 8.5 billion), growing by 3.3% from the turn of the year. Loans and advances to credit institutions amounted to EUR 104.6 million (EUR 91.9 million). The Savings Banks Group's investment assets stood at EUR 1.1 billion (EUR 1.2 billion). Life insurance assets amounted to EUR 907.9 million (EUR 841.7 million).

Liabilities to customers totalled EUR 7.2 billion (EUR 6.9 billion), showing a growth of 4.3%. Liabilities to credit institutions amounted to EUR 271.3 million (EUR 228 million). Debt securities issued stood at EUR 2.9 billion (EUR 2.5 billion). Sp Mortgage Bank belonging to the Savings Banks Group successfully issued a covered bond of EUR 500 million in June. Life insurance liabilities were at EUR 852.9 million (EUR 801.8 million), representing growth of 6.4%.

The Savings Banks Group's equity totalled EUR 1.1 billion (EUR 1 billion). The share of non-controlling interests of the Group's equity was EUR 27.6 million (EUR 24.9 million). The change in the fair value recorded under other comprehensive income was EUR 17.4 million during the review period. The impact of cash flow hedging on the change in equity was EUR 0.2 million. The Group's return on equity was 9.6% (3,0%).

Capital adequacy and risk position

Capital adequacy and leverage ratio

At the end of June 2019, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Own funds totalled EUR 1 025,0 million (EUR 978,0million), of which CET1 capital accounted for EUR 1 002,9 million (EUR 948,2million). The growth of CET1 capital was mainly due to the profit for the period. During the review period, Tier 2 (T2) capital accounted for EUR 22,1 million (EUR 29,7 million), comprised of debentures. Risk-weighted assets amounted to EUR 5,486,3 million (EUR 5,385,6 million), i.e. they were 1.9 % higher than at the end of the previous year. The capital ratio of the Savings Banks Amalgamation was 18.7 % (18.2%) and the CET1 capital ratio was 18.3 % (17.6%).

The capital requirement of Savings Banks Amalgamation was EUR 605,1 million (EUR 593,9 million) that equals to 11.0 % of risk-weighted assets. The components of the capital requirement have remained unchanged compared to the previous year. The capital requirement is formed by:

- Minimum capital requirements set by Capital Requirement Regulation (CRR) that include capital ratio of 8%,
- 2.5% CET1 capital conservation buffer of according to the Act on Credit Institutions,
- 0.5% CET1 pillar 2 requirement of set by the Financial Supervisory Authority and
- the country-specific countercyclical CET1 capital requirements of foreign exposures.

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

In the beginning of the year 2018 Credit Institution Act was changed to include a new macroprudential measure, Systemic Risk Buffer. Due to this change FIN-FSA is allowed to use a new macro prudential measure which purpose is to handle the financial system risks from the long term perspective and outside the business cyclicals. FIN-FSA made decision to keep the level of SRB unchanged on 28th of June 2019. The systemic risk buffer requirement for Savings Banks Amalgamation will be 1 % of risk weighted assets, and this requirement enters into effect at the Amalgamation level on 1 July 2019 based on decision made before.

Board of Financial Supervisory Authority has set a discretionary additional capital requirement to Savings Banks Amalgamation according to the Act on Credit Institutions' chapter 11 6th article in their meeting on 4th of July 2019. Financial Supervisory Authority has determined the discretionary additional capital requirement as 1,25 % of total risk amount according to the Act on Credit Institutions' chapter 11 6th article's 2 moment's first paragraph's a) subparagraph. The requirement percentage is based on the methodology of SREP (Supervisory Review and Evaluation Process) for LSI banks from ECB, where the percentage of additional capital requirement is determined from the overall rating of FSA's assessment. Additional capital requirement is to be fulfilled by Common Equity Tier 1 (CET1) capital referred in EU's Capital Requirement Regulation (CRR) (EU 575/2013). The capital requirement ruling the Savings Banks Amalgamation is effective from 31st of March 2020 and is valid maximum 3 years until 31st of March 2023. The discretionary additional capital requirement is valid on 30 June 2019 as 0,5% of the total risk amount.

The decision made by the FIN-FSA Board to lower the maximum LTC ratio from 90 % to 85 % for residential mortgage loans other than first-home loans came into effect on 1 July 2018. In the year 2018 FIN-FSA decided not to impose countercyclical buffer requirement (CCyB) on credit institutions, and therefore CCyB remained at zero. CCyB can vary from 0-2.5% of risk weighted assets. FIN-FSA did not impose additional O-SII capital requirement for Savings Banks Amalgamation.

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

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

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

Capital adequacy main items of the Savings banks Amalgamation

Own funds (1,000 euros)	30.6.2019	31.12.2018
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,041,894	986,758
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-39,000	-38,524
Common Equity Tier 1 (CET1) capital	**1,002,893**	**948,235**
Additional Tier 1 (AT1) Capital before regulatory adjustments	0	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**1,002,893**	**948,235**
Tier 2 (T2) capital before regulatory adjustments	22,075	29,736
Total regulatory adjustments to Tier 2 (T2) capital	0	0
Tier 2 (T2) capital	**22,075**	**29,736**
Total capital (TC = T1 + T2)	**1,024,968**	**977,970**
Risk weighted assets	**5,486,292**	**5,385,564**
of which: credit and counterparty risk	4,881,409	4,815,965
of which: credit valuation adjustment (CVA)	114,525	72,423
of which: market risk	31,513	38,332
of which: operational risk	458,844	458,844
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.3 %	17.6 %
Tier 1 (as a percentage of total risk exposure amount)	18.3 %	17.6 %
Total capital (as a percentage of total risk exposure amount)	18.7 %	18.2 %
Capital requirement		
Total capital	1,024,968	977,970
Capital requirement total*	605,118	593,940
of which: Pillar II additional capital requirement	27,431	26,928
Capital buffer	419,851	384,031

*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 II 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 8.5 % (8.6%). The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Amalgamation's Tier 1 capital to total liabilities. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

Leverage ratio (1,000 euros)	30.6.2019	31.12.2018
Tier 1 capital	1,002,893	948,235
Total leverage ratio exposures	11,864,887	11,035,250
Leverage ratio	8.5 %	8.6 %

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

Resolution plan

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). In May 2017 the Stability Authority decided to set a minimum requirement of own funds and eligible liabilities (MREL) at amalgamation level and this requirement came in force starting December 31 2018. The requirement will not be directed at the member credit institutions. The MREL requirement is in nature a Pillar 2 -type continuously required minimum requirement. The Financial Stability Authority has decided that the minimum amount of eligible liabilities is the minimum requirement of own funds times two. Currently, the requirement is 20,79 % of the total risk of Amalgamation.

Risk position

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

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

- Independent risk control
- Compliance function
- Internal audit

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

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

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

The Savings Banks Group's risk position has remained at a good level. The solvency of the Savings Banks Amalgamation has remained good, with non-performing loans at a low level. The Group's risks and risk management are described in more detail in the Savings Banks Group's financial statements of 31 December 2018.

Credit rating

S&P Global Ratings (S&P) has given the Central Bank of Savings Banks a credit rating of 'A-', a short-term rating of 'A-2'. The Outlook is stable. The credit rating did not change during the review period and the previous rating was confirmed in April 2017.

The Central Bank of Savings Banks Finland Plc is part of the Savings Banks Amalgamation. The role of the Central Bank of Savings Banks Finland is to ensure the liquidity and fund-raising of the Savings Banks Group. The Central Bank raises funds and operates in the money and capital markets on behalf of the Group, manages settlements and the internal balancing of the Group's liquidity.

Material events after the closing date

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

Outlook for the year

The Savings Banks Group's profit for the financial year 2019 is estimated to be better compared to the previous year. The estimate is based on the current view of result development and can change significantly during the financial year. The expectations include uncertainties due to economic circumstances, especially with regard to impairment and investment income.

Operations and profit by business area

Banking services

The Savings Banks' customer satisfaction and customer experience remained strong during the review period. The Net Promoter Score (NPS) for Savings Banks' customer negotiations stood at 80,1 during the first half of the year. Savings Banks have gradually begun to deploy online meetings in customer negotiations. Moreover, Savings Banks published a new mobile application for their private customers, allowing customers to take care extensively of their banking as a mobile service. Online meetings and the new mobile application respond to the change in customer behaviour and Savings Banks' aim to provide their customers with the best package of personal and digital services. Savings Banks have also extensively made their local cooperation with the regional companies of LocalTapiola closer with the aim of broadly merging the portfolios of banking and insurance services in order to develop the customer experience among both corporate customers and forestry and agriculture customers.

The quality of Savings Banks' private customer base showed positive development during the first half of the year. The number of private customers using Savings Banks' services extensively has increased by 1,7%. The growth was particularly strong in residential mortgage loans, where Savings Banks' loan portfolio has clearly outgrown the market. The quality of the corporate customer base developed favourably during the review period; the number of corporate and forestry and agriculture customers using Savings Banks' services extensively grew by 1,7%, with the growth simultaneously increasingly focusing on higher-volume customer accounts. The growth is also reflected in the increase in the volume of Savings Banks' lending to businesses and housing corporations, clearly outperforming the average market growth among both customer categories.

Savings Banks Group entered into agreement with Cognizant on reforming a new core banking system in early 2019. Cognizant will develop together with Savings Banks Group, Oma Sp and POP Bank Group a new core banking system. Cognizant will operate the system and support banks in achieving their digital strategy. Based on Temenos T24 and Temenos Payment Hub (TPH) software, the new system will enhance processes and operations, making them more cost-efficient thanks to its scalability, among other factors. Thus the Group is able to offer new products and services faster and more cost-efficiently in the future and enhance the customer experience in mobile, internet or office service. This is the largest investments ever made by Savings Banks Group.

Profit trends (comparison figures 1–6/2018)

Profit before tax of Banking operations stood at EUR 44,9 million (EUR 17.8 million). Net interest income was EUR 77,3 million (EUR 74.7 million), an increase of 3,5%. The growth was due to lower refinancing costs than during the comparison period as well as an increase in the volume of lending. Net fee and commission income was EUR 31,0 million (EUR 28.9 million), an increase of 7,2%. Net investment income totaled EUR 31,1 million (EUR 0.0 million). Other operating income amounted to EUR 3,2 million (EUR 1.5 million).

Personnel expenses decreased slightly to EUR 32,3 million (EUR 32.7 million). The number of personnel in the Banking operations segment was 1,082 (1,135) at the end of the period. Other operating expenses and depreciation grew by 5,9% to EUR 63,9 million (EUR 60.4 million).

The balance sheet for Banking operations amounted to EUR 11,7 billion (31.12.2018 EUR 10.9 billion), representing a growth of 7.3%.

Loans and advances to customers increased by 3,3% to EUR 8,8 billion (31.12.2018 EUR 8.5 billion).

Asset Management Services

Expectations regarding the growth outlook of the global economy and uncertainties caused by potential trade wars were strongly reflected in the operations of asset management services. The good investment income for the first quarter levelled off during the second quarter with increasing uncertainty. Even in this challenging operational environment, Sp-Fund Management Company Ltd increased its market share among Finnish fund management companies, with the market share being 2.2%. Clear solution funds Maltti, Ryhti and Kantti, each suited to the diverse goals and risk profiles of customers, were launched in May. The funds met with a favourable reception in the customer base.

The fund capital managed by the asset management operations totalled EUR 2.6 billion (EUR 2.4 billion) on 30 June 2019, representing growth of 6% on the previous year. Taking into account the assets managed in accordance with asset management agreements, the total assets managed amounted to EUR 3.4 billion (EUR 3.3 billion). Net subscriptions to the Savings Bank funds totalled EUR 99 million during the review period. The number of fund unit holders grew by 4.2% and was 191,941 unit holders (184,243 unit holders) at the end of the review period.

The Asset Management Services segment managed a total of 25 investment funds at the end of the review period. At the end of the review period, the largest of the funds managed by the segment was the Savings Bank Interest Plus investment fund with capital of EUR 652 million. With 41,459 unit holders, the investment fund was also the largest in terms of the number of unit holders. The Säästöpankki Pitkäkorko investment fund accumulated the newest capital, with EUR 42 million in net subscriptions.

The biggest factor contributing to the profitability of life insurance operations was good investment income. Uncertainty in the investment markets and talks about tax amendments and benefits of life insurance slowed down the accumulation of premium income. The premium income of risk life insurance grew by 14%.

The name of the segment has been changed during the reporting period as Asset Management Services, previously Asset Management and Life Insurance.

Profit trends (comparison figures 1–6/2018)

Profit before tax for Asset Management Services stood at EUR 12,7 million (EUR 11.9 million).

Net life insurance income was EUR 8,9 million (EUR 7.7 million), representing an increase of 16.1% from the comparison period. Life insurance premium income amounted to EUR 46,0 million (EUR 80.6 million). Claims incurred totalled EUR 51,4 million (EUR 34.9 million), showing growth of 47.2%.

Net fee and commission income was EUR 13,0 million (EUR 12.6 million). The amount of net fee and commission income rose due to increased customer assets and managed fund capital.

Operating expenses increased by 9.5% to EUR 9,0 million (EUR 8,2 million). Personnel expenses decreased by 4.4% to EUR 3.5 million (EUR 3.7 million). Total other operating expenses and depreciation increased to EUR 5,5 million (EUR 4.5 million). The growth was mainly due to development investments. The number of segment personnel at the end of the period was 83 (79).

Life insurance assets amounted to EUR 895,9 million (31.12.2018 EUR 826,3 million). This represents an increase of 8.4%. Unit-linked insurance savings at the end of the period totalled EUR 739,8 million (31.12.2018 EUR 676,7 million), a growth of 9.3%.

The total assets of Asset Management Services grew by 8,6% during the period, amounting to EUR 913,2 million (31.12.2018 EUR 840,7 million).

Further information:

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

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

Formulas used in calculating the financial key ratios and figures:

Revenues	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 %	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}}$
Return on assets %	$\frac{\text{Profit}}{\text{Total assets (average)}}$
Equity/assets ratio %	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}}$

Alternative Performance Measures

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

Savings Bank Group is not using any alternative performance measures 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

(1,000 euros)	Note	1-6/2019	1-6/2018
Interest income		93,200	91,665
Interest expense		-15,921	-16,951
Net interest income	**4**	**77,279**	**74,714**
Net fee and commission income	5	44,026	41,485
Net investment income	6	28,057	-958
Net life insurance income	7	8,934	7,692
Other operating income		14,669	1,947
Total operating income		**172,965**	**124,945**
Personnel expenses		-43,510	-42,784
Other operating expenses		-52,997	-49,406
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-9,084	-5,951
Total operating expenses		**-105,590**	**-98 141**
Net impairment loss on financial assets*	8	-1,624	1,448
Associate's share of profits		879	920
Profit before tax		**66,629**	**29,106**
Income tax expense		-15,688	-4,072
Profit for the period		**50,941**	**25,034**

*The presentation of the actual credit losses has been changed in the Release of the Financial statements for 1 January -31 December 2018 and the comparison figures in the Half-year Report 2019 have been accordingly adjusted. See appendix 2 for more information on changes in presentation.

Profit attributable to:		
Equity holders of the Group	49,990	24,480
Non-controlling interests	951	554
Total	**50,941**	**25,034**

Savings Banks Group's statement of comprehensive income

(1,000 euros)	1-6/2019	1-6/2018
Profit for the period	**50,941**	**25,034**
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	17,252	-5,595
Cash flow hedges	200	-227
Total	**17,452**	**-5,822**
Total comprehensive income for the period	**68 393**	**19 211**
Attributable to:		
Equity holders of the Group	65,725	18,953
Non-controlling interests	2,669	258
Total	**68,393**	**19,211**

Savings Banks Group's statement of financial position

(1,000 euros)	Note	30.6.2019	31.12.2018
Assets			
Cash and cash equivalents		1,362,195	839,592
Loans and advances to credit institutions	10	104,597	91,988
Loans and advances to customers	10	8,763,188	8,487,276
Derivatives	11	81,435	51,134
Investment assets	12	1,149,331	1,216,256
Life insurance assets	13	907,929	841,700
Investments in associates and joint ventures		173	178
Property, plant and equipment		62,368	51,892
Intangible assets		37,754	35,268
Tax assets		7,010	13,019
Other assets		75,984	68,826
Non-current assets classified as held for sale			8,610
Total assets		**12,551,965**	**11,705,740**
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss		3,372	20,575
Liabilities to credit institutions	14	271,303	228,018
Liabilities to customers	14	7,236,740	6,940,818
Derivatives	11	2,907	1,981
Debt securities issued	15	2,873,972	2,488,147
Life insurance liabilities	16	852,881	801,796
Subordinated liabilities		74,320	82,288
Tax liabilities		64,453	52,446
Provisions and other liabilities		80,595	60,874
Total liabilities		**11,460,542**	**10,676,943**
Equity			
Basic capital		20,338	20,340
Primary capital		30,475	34,475
Reserves		231,802	215,291
Retained earnings		781,181	733,762
Total equity attributable to equity holders of the Group		**1,063,797**	**1,003,868**
Non-controlling interests		27,626	24,929
Total equity		**1,091,423**	**1,028,796**
Total liabilities and equity		**12,551,965**	**11,705,740**

Savings Banks Group's statement of cash flows

(1,000 euros)	1-6/2019	1-6/2018
Cash flows from operating activities		
Profit	50,941	25,034
Adjustments for items without cash flow effect	9,676	1,920
Income taxes paid	-1,746	-12,878
Cash flows from operating activities before changes in assets and liabilities	**58,872**	**14,076**
Increase (-) or decrease (+) in operating assets	**-272,207**	**-363,928**
Financial assets at fair value through profit or loss	103,365	30,442
Loans and advances to credit institutions	-7,891	1,669
Loans and advances to customers	-276,920	-382,875
Investment assets, at fair value through other comprehensive income	-27,135	-38,568
Investment assets, at amortized cost	4,446	-882
Life insurance assets	-58,182	-40,056
Other assets	-9,890	66,342
Increase (-) or decrease (+) in operating liabilities	**762,296**	**78,814**
Liabilities to credit institutions	45,373	-7,039
Liabilities to customers	283,066	270,088
Debt securities issued	373,534	-194,511
Life insurance liabilities	51,084	48,278
Other liabilities	9,238	-38,003
Total cash flows from operating activities	**548,960**	**-271,038**
Cash flows from investing activities		
Other investments	3,528	
Investments in investment property and in property, plant and equipment and intangible assets	-9,759	-15,698
Disposals of investment property and property, plant and equipment and intangible assets	1,096	2,990
Total cash flows from investing activities	**-5,136**	**-12,708**
Cash flows from financing activities		
Decrease in subordinated liabilities	-7,974	-8,148
Distribution of profits	-1,708	-2,471
Other monetary decreases in equity items	-4,000	
Total cash flows from financing activities	**-13,682**	**-10,619**
Change in cash and cash equivalents	**530,142**	**-294,365**
Cash and cash equivalents at the beginning of the period	**861,894**	**1,150,758**
Cash and cash equivalents at the end of the period	**1,392,036**	**856,393**

Cash and cash equivalents comprise the following items:

Cash	1,362,195	834,781
Receivables from central banks repayable on demand	29,840	21,611
Total cash and cash equivalents	**1,392,036**	**856,393**

Interest received	101,184	100,353
Interest paid	18,866	17,169
Dividends received	2,874	2,824

Savings Banks Group's statement of changes in equity

(1,000 euros)	Basic capital	Primary capital	Share premium	Fair value reserve	Reserve for hedging instruments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 31 December 2017	**20,338**	**34,475**	**60,354**	**32,611**	**2,867**	**69,694**	**85,435**	**250,960**	**617,709**	**923,482**	**23,994**	**953,402**
Effect of IFRS 9 transition 1 January 2018				**-19,612**				**-19,612**	**17,688**	**-1,925**	**-66**	**-1,990**
Equity 1 January 2018	**20,338**	**34,475**	**60,354**	**12,998**	**2,867**	**69,694**	**85,435**	**231,348**	**702,967**	**989,128**	**26,402**	**1,015,530**
Comprehensive income												
Profit									24,480	24,480	554	25,034
Other comprehensive income				-5,452	-227			-5,679	-1,048	-6,727	-295	-7,023
Total comprehensive income				**-5,452**	**-227**			**-5,679**	**23,432**	**17,753**	**258**	**18,011**
Transactions with owners												
Distribution of profits									-2,476	-2,476		-2,476
Other changes						74	368	442	181	623	-204	418
Total equity 30 June 2018	**20,338**	**34,475**	**60,354**	**7,546**	**2,640**	**69,768**	**85,803**	**226,110**	**724,104**	**1,005,027**	**26,455**	**1,031,483**

Equity 1 January 2018	**20,338**	**34,475**	**60,354**	**12,998**	**2,867**	**69,694**	**85,435**	**231,348**	**702,967**	**989,128**	**26,402**	**1,015,530**
Comprehensive income												
Profit									30,149	30,149	492	30,640
Other comprehensive income				-15,856	-315			-16,171	998	-15,173	-1,360	-16,533
Total comprehensive income				**-15,856**	**-315**			**-16,171**	**31,146**	**14,975**	**-868**	**14,107**
Transactions with owners												
Distribution of profits									-2,551	-2,551		-2,551
Other changes						66	48	114	1,371	1,485	-605	880
Total equity 31 December 2018	**20,338**	**34,475**	**60,354**	**-2,858**	**2,552**	**69,760**	**85,483**	**215,291**	**733,762**	**1,003,866**	**24,929**	**1,028,795**

Equity 1 January 2019	**20,338**	**34,475**	**60,354**	**-2,858**	**2,552**	**69,760**	**85,483**	**215,291**	**733,762**	**1,003,866**	**24,929**	**1,028,795**
Comprehensive income												
Profit									49,990	49,990	951	50,941
Other comprehensive income				15,850	200			16,051	-316	15,734	1,718	17,452
Total comprehensive income				**15,850**	**200**			**16,051**	**49,674**	**65,725**	**2,669**	**68,393**
Transactions with owners												
Distribution of profits									-1,708	-1,708		-1,708
Tranfers between items				-24			470	445	-445			
Other changes		-4,000				15		15	-101	-4,086	28	-4,058
Total equity 30 June 2019	**20,338**	**30,475**	**60,354**	**12,968**	**2,753**	**69,775**	**85,953**	**231,802**	**781,181**	**1,063,797**	**27,626**	**1,091,423**

BASIS OF PREPARATION

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

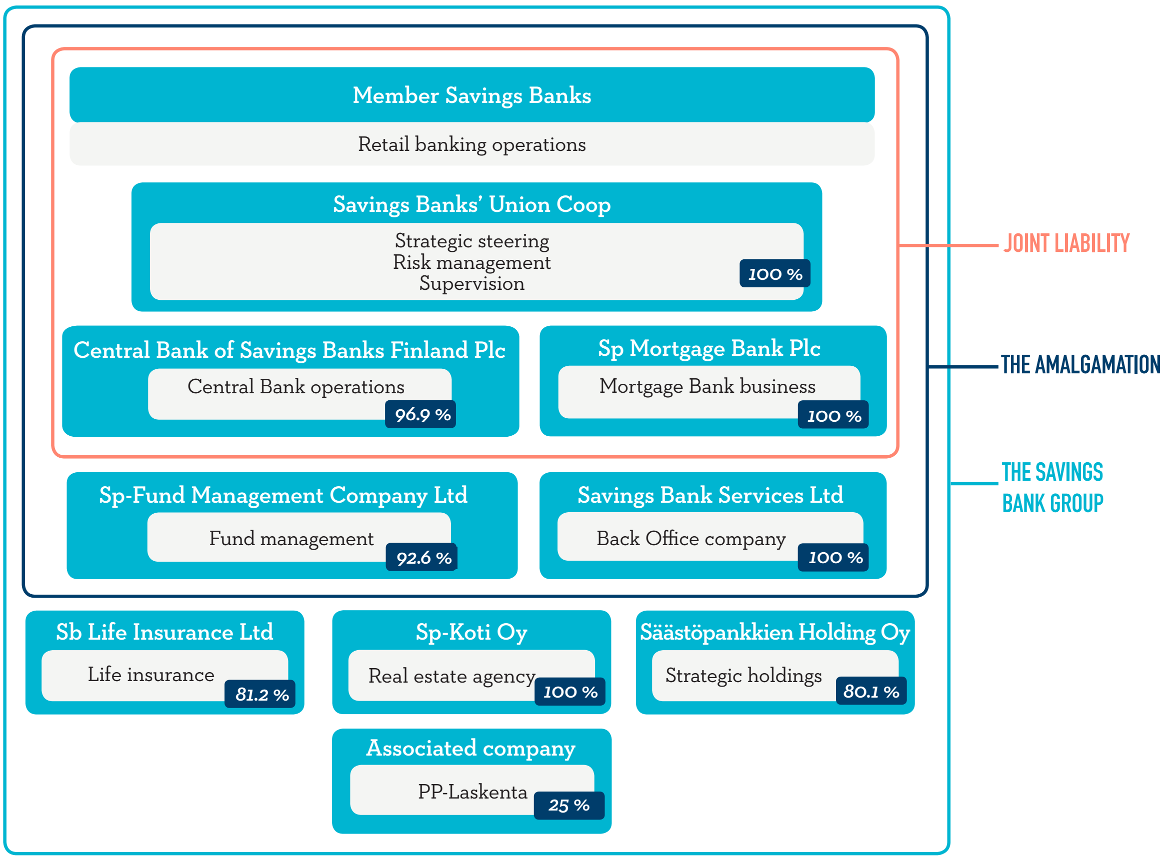
The Savings Banks Group (hereafter Group) is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by Savings Banks.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

The member organisations of the Savings Banks Amalgamation (hereafter Amalgamation) form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 21 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, Savings Bank Services Ltd and Sp-Fund Management Company Ltd.

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

During the review period, two mergers between the Savings Banks were executed. Kiikoisten Säästöpankki merged to Huittisten Säästöpankki and Suomenniemen Säästöpankki to Säästöpankki Optia. As a result of the mergers, the number of Savings Banks belonging to the Amalgamation and to the Group reduced from 23 banks to 21 banks. The Savings Banks Group and other owners of Oy Samlink Ab sold their holdings on 1st of April 2019 to Cognizant Technology Solutions Finland Oy. Before the transaction, the share of The Savings Banks Group of Samlink Oy Ab was 42 percent and the company was consolidated as an associated company in the Group's consolidated financial statements.

The structure of the Amalgamation and the Group are described in the chart below (the red section represents the joint and several liability, the green section represents the Amalgamation and the blue section represents the Group):



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

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

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

NOTE 2: ACCOUNTING POLICIES

1. General

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

The half-year report of 1.1.-30.6.2019 has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard. Changes in accounting policies during the financial year are described below. The financial statement 2018 contain the full accounting principles.

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

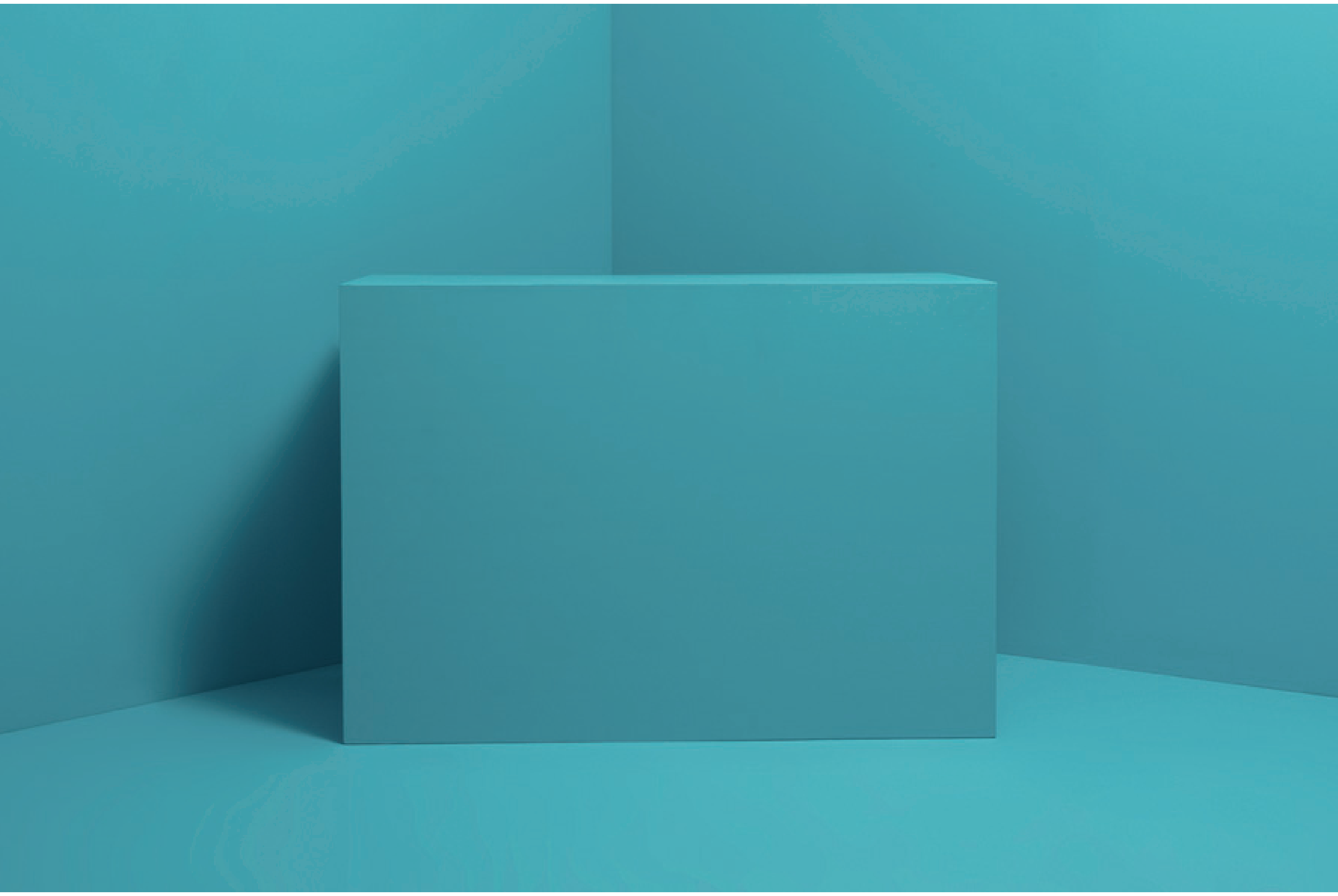
The Group's consolidated financial statements are prepared in euros, which is the accounting and operational currency of the Group. The half-year report is presented in thousand euros unless otherwise stated.

2. Critical accounting estimates and judgments

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

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

There have not been any major changes regarding the uncertainty requiring the Group's management to exercise judgment and make estimates and assumptions compared to the financial statement of 2018.



3. Changes in accounting policies during the reporting period

IFRS 16 Leases

IFRS 16 Leases entered into effect on 1 January 2019. On transition, Savings Banks Group has applied a simplified approach and the comparison figures have not been adjusted.

Prior to the IFRS 16 transition on 1 January 2019, Savings Banks Group had no finance leases as referred to in IAS 17 and IFRIC 4. On transition, the remaining lease payments were discounted to present value and recognised as lease liabilities. The discount rate used was the incremental borrowing rate, which is the interest rate at which the Central Bank of Savings Banks provides financing to the Group's Savings Banks. The value of all right-of-use assets was measured at an amount corresponding to the lease liability, which was 13 million on transition. Savings Banks Group recognises leases as a right-of-use asset under "Property, plant and equipment" and a liability under "Provisions and other liabilities". In the end of review period 30 June 2019 value of right-of-use assets was 11,6 million and liability 11,6 million.

Effects of Adoption to the IFRS 16 (1,000 euros)	31.12.2018	IFRS 16 Transition	1.1.2019	30.6.2019
Right-of-use asset, Plant and equipement	-	493	493	400
Right-of-use asset, Property	-	12,534	12,534	11,184
Assets		**13,028**	**13,028**	**11,584**
Lease liabilities, Plant and equipement	-	493	493	400
Lease liabilities, Property	-	12,534	12,534	11,196
Equity	-	-	-	12
Liabilities and equity		**13,028**	**13,028**	**11,608**

	1-6/2019
Interest	-25
Depreciation	-1,444
Rental expense	1,456
Profit	**-12**

The IFRS 16 transition had no effect on profit or loss, nor did it affect retained earnings. Amendments to the IFRS 16 standard for accounting policies and calculations describing the transitional changes can be found in section of Adoption of new IFRS Standards and Interpretations in the Financial Statements 2018.

Changes in presentation:

The grouping of the income statement and statement of fianancial position has been amended in the Half-year report for 1 January–30 June 2019. The new grouping has no effects on the profit of the period, shareholders' equity or total assets. The comparison figures have been adjusted according to the new grouping and presented in the Half-year report of 1 January–30 June 2019.

The income statement line Net trading income is presented under Net investment income in accordance with its nature. Correspondingly, the statement of fianancial position item Financial assets at fair value through profit or loss is presented under Investment assets. Moreover, Primary Capital is presented as a separate item in the statement of fianancial position under Liabilities and shareholders' equity.

As of the financial statements for 2018, credit losses have been measured in the income statement under Impairment losses of financial assets. In the Half-year report of 1 January–30 June 2018, credit losses were presented in the income statement under Other operating expenses. The comparison figures in the Half-year report 2019 have been adjusted according to the presentation method of the financial statements for 2018. As a result of the adjustment, Other operating expenses for the comparison period 1 January–30 June 2018 decreased by EUR 4,2 million and Impairment losses of financial assets correspondingly increased by EUR 4,2 million.

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 half-year report is based on the same division as is applied in management reporting.

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

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

The Banking segment comprises the member Savings Banks, the Central Bank of Savings Banks Finland Plc 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 1-6/2019 (1,000 euros)	Banking	Asset Management Services	Reportable segments in total
Net interest income	77,346	-53	77,293
Net fee and commission income	30,993	12,992	43,985
Net investment income	31,138	-186	30,952
Net life insurance income		8,934	8,934
Other operating income	3,226	15	3,241
Total operating income	**142,702**	**21,702**	**164,405**
Personnel expenses	-32,266	-3,544	-35,810
Other operating expenses	-63,943	-5,472	-69,415
Total operating expenses	**-96,209**	**-9,016**	**-105,225**
Net impairment loss on financial assets	-1,625		-1,625
Profit before tax	**44,868**	**12,687**	**57,554**
Taxes	-10,357	-2,536	-12,893
Profit for the period	**34,511**	**10,151**	**44,661**
Statement of financial position			
Cash and cash equivalents	1,364,695		1,364,695
Loans and advances to credit institutions	99,697	2,099	101,796
Loans and advances to customers	8,764,111		8,764,111
Derivatives	81,435		81,435
Investment assets	1,180,304	4,999	1,185,303
Life insurance assets		895,923	895,923
Other assets	166,185	10,225	176,411
Total assets	**11,649,715**	**913,247**	**12,569,673**
Liabilities to credit institutions	271,303		271,303
Liabilities to customers	7,242,890		7,242,890
Derivatives	2,907		2,907
Debt securities issued	2,878,970		2,878,970
Life insurance liabilities		858,364	858,364
Subordinated liabilities	74,226		74,226
Other liabilities	75,056	2,348	77,404
Total liabilities	**10,539,173**	**860,712**	**11,406,064**
Number of emplyees at the end of the period	**1,082**	**83**	**1,165**

Reconciliations (1,000 euros)	1-6/2019	1-6/2018
Revenue		
Total revenue for reportable segments	164,405	125,424
Non allocated revenue, other operations	8,560	-479
Total revenue of the Group	**172,965**	**124,945**
Profit		
Total profit or loss for reportable segments	44,661	25,653
Non allocated amounts	6,280	-619
Total profit of the Group	**50,941**	**25,034**
Assets		
Total assets for reportable segments	12,569,673	11,705,449
Non allocated assets, other operations	-17,709	291
Total assets of the Group	**12,551,965**	**11,705,740**
Liabilities		
Total liabilities for reportable segments	11,406,064	10,663,580
Non allocated liabilities, other operations	54,478	13,364
Total liabilities of the Group	**11,460,542**	**10,676,943**

Income statement 1-6/2018 (1,000 euros)	Banking	Asset Management Services	Reportable segments in total
Net interest income	74,746	-23	74,723
Net fee and commission income	28,903	12,629	41,532
Net investment income	90	-236	-145
Net life insurance income		7,692	7,692
Other operating revenue	1,542	81	1,623
Total operating revenue*	**105,281**	**20,144**	**125,424**
Personnel expenses	-32,689	-3,708	-36,397
Other operating expenses	-60,398	-4,526	-64,925
Total operating expenses	**-93,087**	**-8,235**	**-101,322**
Net impairment loss on financial assets	5,566		5,566
Profit before tax	**17,760**	**11,909**	**29,669**
Taxes	-1,718	-2,298	-4,016
Profit	**16,042**	**9,611**	**25,653**
Statement of financial position			
Cash and cash equivalents	839,592		839,592
Loans and advances to credit institutions	91,684		91,684
Loans and advances to customers	8,488,196		8,488,196
Derivatives	51,134		51,134
Investment assets	1,233,552		1,233,552
Life insurance assets		826,338	826,338
Other assets	160,625	14,328	174,952
Total assets	**10,864,783**	**840,666**	**11,705,449**
Liabilities to credit institutions	228,018		228,018
Liabilities to customers	6,943,977		6,943,977
Derivatives	1,981		1,981
Debt securities issued	2,488,146		2,488,146
Life insurance liabilities		810,359	810,359
Subordinated liabilities	82,200		82,200
Other liabilities	97,966	10,932	108,898
Total liabilities	**9,842,289**	**821,291**	**10,663,580**
Number of emplyees at the end of the period	**1,135**	**79**	**1,214**

NOTE 4: NET INTEREST INCOME

(1,000 euros)	1-6/2019	1-6/2018
Interest income		
Debts eligible for refinancing with Central Bank	2,035	1,974
Loans and advances to credit institutions	287	287
Loans and advances to customers	71,324	68,813
Debt securities	5,964	6,735
Derivative contracts		
Hedging derivatives	12,730	13,171
Other	860	686
Total	**93,200**	**91,665**
Interest expense		
Liabilities to credit institutions	-1,895	-1,987
Liabilities to customers	-5,852	-7,641
Derivative contracts		
Hedging derivatives	-953	-1,413
Debt securities issued	-6,169	-4,745
Subordinated liabilities	-857	-1,042
Other	-195	-123
Total	**-15,921**	**-16,951**
Net interest income	**77,279**	**74,714**

NOTE 5: NET FEE AND COMMISSION INCOME

(1,000 euros)	1-6/2019	1-6/2018
Fee and commission income		
Lending	10,738	10,822
Deposits	161	193
Payment transfers	18,484	16,149
Securities brokerage	663	457
Mutual fund brokerage	12,992	13,074
Asset management	243	240
Legal services	1,998	1,771
Custody fees	618	764
Vakuutusten välityksestä	777	829
Guarantees	940	732
Other	1,390	1,307
Total	**49,002**	**46,339**
Fee and commission expense		
Payment transfers	-1,468	-1,629
Securities	-656	-619
Mutual fund brokerage	-28	-109
Asset management	-360	-361
Other	-2,464	-2,136
Total	**-4,976**	**-4,854**
Net fee and commission income	**44,026**	**41,485**

NOTE 6: NET INVESTMENT INCOME

(1,000 euros)	1-6/2019	1-6/2018
Net income from financial assets at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	253	-83
Transferred from fair value reserve during the financial year	440	2,248
Impairment losses and their reversal		
Total Debt securities	**693**	**2,165**
Shares and participations		
Dividend income		
Total shares and participations	**56**	**-14**
Total	**749**	**2,151**

Net income from financial asset at fair value through profit or loss		
Debt securities		
Capital gains and losses	65	130
Fair value gains and losses	1,369	-1,461
Shares and participations		
Dividend income	2,818	2,839
Capital gains and losses	884	-276
Fair value gains and losses	24,375	-5,426
Net income from foreign exchange operations	22	51
Derivative contracts*)	53	-107
Net income from hedge accounting		
Change in hedging instruments' fair value	29,884	2,680
Change in hedged items' fair value	-31,840	-2,903
Total	**27,629**	**-4,473**

* Including EUR 57 thousand (-107) of the ineffective part of cash flow hedges.

Net income from investment property		
Rental and dividend income	3,497	3,500
Capital gains and losses	290	990
Other income from investment property	64	134
Maintenance charges and expenses	-2,489	-2,476
Depreciation and amortisation of investment property	-1,668	-767
Rental expenses arising from investment property	-16	-17
Total	**-321**	**1,364**
Net investment income	**28,057**	**-958**

NOTE 7: NET LIFE INSURANCE INCOME

(1,000 euros)	1-6/2019	1-6/2018
Premiums written		
Group's share	46,264	80,680
Insurance premiums ceded to reinsurers	-262	-72
Net investment income	66,196	6,864
Claims incurred		
Claims paid	-50,703	-32,299
Change in provision for unpaid claims	-653	-2,581
Change in insurance contract liabilities		
Change in life insurance provision	-50,953	-44,035
Other	-955	-865
Net life insurance income	**8,934**	**7,692**

Net investment income (1,000 euros)	1-6/2019	1-6/2018
Net interest	53	64
Dividend income	395	428
Realised capital gains and losses		813
Unrealised gains and losses	64,351	5,438
Other investments	169	233
Net income from foreign exchange operation	-3	119
Net income from unit-linked customer assets	1,232	-231
Total	**66,196**	**6,864**

NOTE 8: IMPAIRMENT LOSS ON FINANCIAL ASSETS

Financial asset within the scope of accounting for expected credit losses by impairment stage	Stage 1	Stage 2	Stage 3	Total
Financial asset 30 June 2019				
Investment asset	660,213		352	660,565
Loans and advances	7,886,892	739,242	197,877	8,824,011
Off-balance sheet items	553,321	21,779	1,411	576,512
Total	**9,100,426**	**761,021**	**199,641**	**10,061,088**

	Stage 1	Stage 2	Stage 3	Total
Financial asset 31 December 2018				
Investment asset	627,993			627,993
Loans and advances	7,536,398	810,113	208,218	8,554,729
Off-balance sheet items	503,889	36,381	4,235	544,505
Total	**8,668,280**	**846,494**	**212,453**	**9,727,227**

Expected Credit Losses (ECL), Loans and advances and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(1,000 euros)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2019	**5,127**	**5,241**	**23,993**	**34,361**
New assets originated or purchased	1,249	275	286	1,810
Assets derecognised or repaid (excluding write offs)	-832	-464	-334	-1,629
Transfers from Stage 1 to Stage 2	-177	914		737
Transfers from Stage 1 to Stage 3	-31		1,011	980
Transfers from Stage 2 to Stage 1	248	-1,123		-875
Transfers from Stage 2 to Stage 3		-417	1,399	983
Transfers from Stage 3 to Stage 1	1		-49	-48
Transfers from Stage 3 to Stage 2		103	-245	-142
Amounts written off			-1,720	-1,720
Net change in ECL				95
Expected Credit Losses 30 June 2019	**5,585**	**4,529**	**24,341**	**34,455**

Expected Credit Losses (ECL), Investment asset	Stage 1	Stage 2	Stage 3	Total
(1,000 euros)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2019	**1,686**			**1,686**
New assets originated or purchased	266			266
Assets derecognised or repaid (excluding write offs)	-221			-221
Transfers from Stage 1 to Stage 3	-22		257	236
Net change in ECL				281
Expected Credit Losses 30 June 2019	**1,967**			**1,967**

Total Expected Credit Losses 30 June 2019	36,423

Total change in Expected Credit Losses 1 January 2019 -30 June 2019	**376**

Expected Credit Losses (ECL), Loans and advances and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(1,000 euros)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2018	**6,263**	**4,841**	**31,137**	**42,241**
New assets originated or purchased	1,398	1,046	964	3,408
Assets derecognised or repaid (excluding write offs)	-2,223	-1,777	-3,230	-7,230
Transfers from Stage 1 to Stage 2	-688	1,708		1,020
Transfers from Stage 1 to Stage 3	-197		1,885	1,688
Transfers from Stage 2 to Stage 1	70	-378		-308
Transfers from Stage 2 to Stage 3		-553	1,689	1,136
Transfers from Stage 3 to Stage 1	504		-563	-59
Transfers from Stage 3 to Stage 2		353	-380	-27
Amounts written off			-7,509	-7,509
Net change in ECL				-7,881
Expected Credit Losses 31 December 2018	**5,127**	**5,241**	**23,993**	**34,361**

Expected Credit Losses (ECL), Investment asset	Stage 1	Stage 2	Stage 3	Total
(1,000 euros)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2018	**1,614**			**1,614**
New assets originated or purchased	705			705
Assets derecognised or repaid (excluding write offs)	-633			-633
Net change in ECL				72
Expected Credit Losses 31 December 2018	**1,686**			**1,686**

Total Expected Credit Losses 31 December 2018	36,047
Total change in Expected Credit Losses 1 January 2018 -31 December 2018	**-7,809**

ASSETS

NOTE 9: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30.6.2019 (1,000 euros)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and cash equivalents	1,362,195					1,362,195
Loans and advances to credit institutions	104,597					104,597
Loans and advances to customers	8,763,188					8,763,188
Derivatives			81,435			81,435
hedging derivatives			81,435			
cash flow			3,864			
fair value			77,570			
Investment assets	41,469	619,719	446,705		41,438	1,149,331
Life insurance assets*	18,516	163,978	723,245		2,190	907,929
Total assets	**10,289,965**	**783,698**	**1,251,384**		**43,628**	**12,368,675**
Financial liabilities at fair value through profit or loss			3,372			3,372
Liabilities to credit institutions		271,303				271,303
Liabilities to customers		7,236,740				7,236,740
Derivatives			2,907			2,907
hedging derivatives			2,907			
fair value			2,907			
Debt securities issued				2,873,972		2,873,972
Life insurance liabilities*			737,799	112,865	2,216	852,881
Subordinated liabilities				74,320		74,320
Total liabilities		**7,508,043**	**744,079**	**3,061,157**	**2,216**	**11,315,494**

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

31.12.2018 (1,000 euros)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and cash equivalents	15,980		823,612			839,592
Financial assets at fair value through profit or loss			65 057			65,057
Loans and advances to credit institutions	91,988					91,988
Loans and advances to customers	8,486,767		508			8,487,276
Derivatives			51,134			51,134
hedging derivatives			51,134			
cash flow			3,566			
fair value			47,568			
Investment assets	42,146	585,889	480,440		42,723	1,151,199
Life insurance assets*		162,787	677,373		1,540	841,700
Total assets	**8,636,881**	**748,677**	**2,098,125**	**0**	**44,263**	**11,527,946**

Financial liabilities at fair value through profit or loss			20,575			20,575
Liabilities to credit institutions				228,018		228,018
Liabilities to customers				6,940,818		6,940,818
Derivatives			1,981			1,981
hedging derivatives			1,981			
cash flow			1,981			
fair value			1,981			
Debt securities issued				2,488,147		2,488,147
Life insurance liabilities*			677,303	121,420	3,073	801,796
Subordinated liabilities				82,288		82,288
Total liabilities	**0**	**0**	**699,859**	**9,860,691**	**3,073**	**10,563,623**

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

NOTE 10: LOANS AND ADVANCES

(1,000 euros)	30.6.2019	31.12.2018
Loans and advances to credit institutions		
Deposits	104,597	91,765
Loans and other receivables		223
Total	**104,597**	**91,988**
Loans and advances to customers		
Used overdrafts	88,868	84,456
Loans	8,190,493	7,953,785
Interest subsidized housing loans	412,382	385,273
Loans granted from government funds	1,392	1,667
Credit cards	102,526	95,039
Guarantees	851	529
Other receivables	86	86
Expected credit losses	-33,386	-33,559
Total	**8,763,188**	**8,487,276**
Loans and advances total	**8,867,785**	**8,579,264**

NOTE 11: DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

30.6.2019	Nominal value / remaining maturity				Fair value	
(1,000 euros)	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	**509,689**	**1,325,755**	**911,000**	**2,746,445**	**77,570**	**2,907**
Interest rate derivatives	485,000	1,298,000	911,000	2,694,000	75,262	618
Equity and index derivatives	24,689	27,755		52,445	2,309	2,289
Cash flow hedging		**50,000**		**50,000**	**3,864**	
Interest rate derivatives		50,000		50,000	3,864	
Total	**509,689**	**1,375,755**	**911,000**	**2,796,445**	**81,435**	**2,907**

Derivatives total	**81,435**	**2,907**

In the financial period 1-6 2019, EUR 251 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective part of cash flow hedging totalled EUR 58 thousand and was recognised in Net investment income.

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

(1,000 euros)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	994	2,920		3,914
Total	**994**	**2,920**		**3,914**

31.12.2018	Nominal value / remaining maturity				Fair value	
(1,000 euros)	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	**142,540**	**1,737,086**	**459,000**	**2,338,626**	**47,568**	**1,981**
Interest rate derivatives	115,000	1,695,000	459,000	2,269,000	45,877	290
Equity and index derivatives	27,540	42,086		69,626	1,691	1,691
Cash flow hedging		**40,000**	**10,000**	**50,000**	**3,566**	
Interest rate derivatives		40,000	10,000	50,000	3,566	
Total	**142,540**	**1,777,086**	**469,000**	**2,388,626**	**51,134**	**1,981**

Derivatives total	**51,134**	**1,981**

In the financial year 2018, EUR -394 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective part of cash flow hedging totalled EUR 58 thousand was recognised in Net investment income.

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

(1,000 euros)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	938	2,541	156	3,635
Total	**938**	**2,541**	**156**	**3,635**

NOTE 12: INVESTMENT ASSETS

(1,000 euros)	30.6.2019	31.12.2018
At fair value through other comprehensive income		
Debt securities	618,737	585,541
Shares and participations	7,016	14,555
Total	**625,753**	**600,096**
Fair value through profit or loss		
Debt securities	40,546	44,482
Shares and participations	400,125	486,808
Total	**440,671**	**531,290**
Amortized cost investments		
Debt securities	41,828	42,452
Expected Credit Losses	-359	-306
Total	**41,469**	**42,146**
Investment property	**41,438**	**42,723**
Total investment assets	**1,149,331**	**1,216,256**

NOTE 13: LIFE INSURANCE ASSETS

(1,000 euros)	30.6.2019	31.12.2018
Investments covering for unit-linked policies		
At fair value through profit or loss		
Investment funds	416,536	378,111
Asset management portfolio	131,648	124,186
Other unit-linked covering assets	191,589	174,385
Total	**739,773**	**676,681**
Other investments		
At fair value through profit or loss		
Debt securities	1,840	692
Total	**1,840**	**692**
Available-for-sale financial assets		
Debt securities	2,659	2,673
Shares and participations	161,466	160,114
Total	**164,126**	**162,787**
Other investments total	**165,966**	**163,479**
Total life insurance investments	**905,739**	**840,160**
Other assets		
Premium receivables	336	
Other receivables	1,442	1,290
Accrued income	412	250
Total	**2,190**	**1,540**
Life insurance assets	**907,929**	**841,700**

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

(1,000 euros)	30.6.2019			31.12.2018		
	Debt securities	Shares and participations	Derivatives	Debt securities	Shares and participations	Derivatives
Quoted	1,840	739,773		692	676,681	
From Others	1,840	739,773		692	676,681	
Total	**1,840**	**739,773**		**692**	**676,681**	

LIABILITIES

NOTE 14: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(1,000 euros)	30.6.2019	31.12.2018
Liabilities to credit institutions		
Liabilities to central banks	38,000	38,000
Liabilities to credit institutions	233,303	190,018
Total	**271,303**	**228,018**
Liabilities to customers		
Deposits	7,174,657	6,896,963
Other financial liabilities	5,362	6,149
Change in the fair value of deposits	56,720	37,706
Total	**7,236,740**	**6,940,818**
Liabilities to credit institutions and customers	**7,508,043**	**7,168,836**

NOTE 15: DEBT SECURITIES ISSUED

(1,000 euros)	30.6.2019	31.12.2018
Measured at amortised cost		
Bonds	1,295,465	1,244,130
Covered bonds	1,494,519	997,099
Other		
Certificates of deposit	83,987	246,918
Debt securities issued	**2,873,972**	**2,488,147**
Of which		
Variable interest rate	549,180	516,040
Fixed interest rate	2,324,792	1,972,108
Total	**2,873,972**	**2,488,147**

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

NOTE 16: LIFE INSURANCE LIABILITIES

(1,000 euros)	30.6.2019	31.12.2018
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	112,865	121,420
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	505,604	472,591
Liabilities for unit-linked investment contracts	232,196	204,712
Reserve arising from liability adequacy test		
Other liabilities		
Accrued expenses and deferred income	1,296	2,397
Other	920	677
Life insurance liabilities	**852,881**	**801,796**

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

OTHER NOTES

NOTE 17: FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

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

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

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

Fair value hierarchy

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

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

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

Transfers between levels

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

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

30.6.2019	Carrying amount	Fair value by hierarchy level			
Financial assets (1,000 euros)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	443,333	426,921		16,412	**443,333**
Asset Management Services*	723,245	721,258		1,987	**723,245**
Other operations**	3,372	3,372			**3,372**
Derivative contracts					
Banking	81,435	19	81,415		**81,435**
Fair value through other comprehensive income					
Banking	619,719	601,044	13,981	4,694	**619,719**
Asset Management Services*	163,978	153,822		10,156	**163,978**
Measured at amortised cost					
Investments, Banking	41,469	42,313			**42,313**
Loans and other receivables, Banking	10,229,980		11,893,996		**11,893,996**
Investment assets, Asset Management	18,516		18,516		**18,516**
Total financial assets	**12,325,047**	**1,948,750**	**12 007 909**	**33,249**	**13,971,392**

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

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

30.6.2019	Carrying amount	Fair value by hierarchy level			
Financial liabilities (1,000 euros)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Asset Management Services*	737,799	737,799			**737,799**
Other operations**	3,372	3,372			**3,372**
Derivative contracts					
Banking	2,907		2,907		**2,907**
Measured at amortised cost					
Banking	10,456,334	2,720,758	7,009,490	747,516	**10,477,764**
Total financial liabilities	**11,200,413**	**3,461,929**	**7,012,397**	**747,516**	**11,221,843**

* Includes liabilities for unit-linked insurance and investments contracts which are reported on level 1 in accordance of the underlying investment.
** The other investors' share of the consolidated mutual funds.

Changes at level 3

Reconciliation of changes in financial instruments at level 3

Financial assets at fair value through profit or loss (1,000 euros)	Banking	Asset Management Services	Total
Carrying amount 1 January 2019	**20,531**	**692**	**21,223**
Purchases	1,897	1,000	2,897
Sales	-5,224		-5,224
Changes in value recognised in income statement, realised	27		27
Changes in value recognised in income statement, unrealised	432	295	728
Transfers between levels 1 and 2	-1,251		-1,251
Carrying amount 30 June 2019	**16,412**	**1,987**	**18,399**

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

Fair value through other comprehensive income (1,000 euros)	Banking	Asset Management Services	Total
Carrying amount 1 January 2019	**5,347**	**10,899**	**16,245**
Purchases	500	3,193	3,693
Sales	-691	-4,193	-4,884
Matured during the period	-999		-999
Changes in value recognised in income statement, realised	57		57
Changes in value recognised in comprehensive income statement	480	258	738
Carrying amount 30 June 2019	**4,694**	**10,156**	**14,850**

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 (1,000 euros)		
30.6.2019	Carrying amount	Effect of hypothetical changes' on profit, negative
At fair value through profit or loss		
Banking	16,412	-232
Asset Management Services	1,987	-385
Total	**18,399**	**-616**
Fair value through other comprehensive income		
Banking, liabilities	4,694	-379
Asset Management Services	10,156	-1,523
Total	**14,850**	**-1,903**
Total	**33,249**	**-2,519**

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

31.12.2018	Carrying amount	Fair value by hierarchy level			
Financial assets (1,000 euros)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	1,349,043	1,328,512		20,531	**1,349,043**
Asset Management Services*	677,373	676,681		692	**677,373**
Other operations**	20,575	20,575			**20,575**
Derivative contracts					
Banking	51,134		51,133		**51,134**
Fair value through other comprehensive income					
Banking	585,889	571,252	10,475	5,347	**587,074**
Asset Management Services*	162,787	151,888		10,899	**162,787**
Measured at amortised cost					
Investment assets, banking	42,146	42,704		1 000	43,704
Loans and advances, banking	8,594,736		10,400,870		10,400,870
Total financial assets	**11,483,683**	**2,791,613**	**10,462,478**	**38,468**	**13,292,560**

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

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

31.12.2018	Carrying amount	Fair value by hierarchy level			
Financial liabilities (1,000 euros)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Asset management services	677,303	677,303			677,303
Other operations**	20,575	20,575			20,575
Derivative contracts					
Banking	1,981		1,981		1,981
Measured at amortised cost					
Banking	9,739,271	2,161,228	6,922,896	664,002	9,748,125
Total financial liabilities	**10,439,130**	**2,859,106**	**6,924,877**	**664,002**	**10,447,985**

* Includes liabilities for unit-linked insurance and investments contracts which are reported on level 1 in accordance of the underlying investment.
** The other investors' share of the consolidated mutual funds.

Changes at level 3

Reconciliation of changes in financial instruments at level 3

Financial assets measured at fair value through profit or loss (1,000 euros)	Banking	Asset Management Services	Total
Carrying amount 31 January 2017	**8,772**	**1,797**	**10,569**
Effect of the IFRS 9 transition to the opening balance	**8,867**		**8,867**
Carrying amount 1 January 2018	**17,639**	**1,797**	**19,436**
Purchases	3,784	840	4,624
Sales	-1,668	-1,813	-3,481
Matured during the period	-33		-33
Changes in value recognised in income statement, realised	70	16	86
Changes in value recognised in income statement, unrealised	-810	-148	-958
Transfers from level 1 and 2	1,550		1,550
Carrying amount 31 December 2018	**20,531**	**692**	**21,223**

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

Fair value through other comprehensive income (1,000 euros)	Banking	Asset Management and Life Insurance	Total
Carrying amount 31 December 2017	**29,817**	**6,682**	**36,499**
Effect of the IFRS 9 transition to the opening balance	**-10,593**		**-10,593**
Carrying amount 1 January 2018	**19,224**	**6,682**	**25,906**
Purchases	1,375	4,193	5,568
Sales	-3,833	-161	-3,994
Matured during the period	-5,240		-5,240
Changes in value recognised in income statement, realised	110	10	120
Changes in value recognised in income statement, unrealised		-30	-30
Changes in value recognised in comprehensive income statement	215	206	421
Transfers from level 1 and 2	1,574		1,574
Transfers to level 1 and 2	-8,079		-8,079
Carrying amount 31 December 2018	**5,347**	**10,899**	**16,245**

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 (1,000 euros)		
31.12.2018	Carrying amount	Negative effect of hypothetical changes' on profit
At fair value through profit or loss		
Banking	20,531	-3,080
Asset Management Services	692	-104
Total	**21,223**	**-3,183**
Fair value through other comprehensive income		
Banking	5,347	-802
Asset Management Services	10,899	-1,635
Total	**16,245**	**-2,437**
Total	**37,468**	**-5,620**

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

NOTE 18: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

30.6.2019				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(1,000 euros)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments, carrying amount in statements of financial position, gross	Financial instruments held/given as collateral	Cash held/given as collateral	Net amount
Assets							
Derivative contracts				81,435		48,008	33,427
Total				**81,435**		**48,008**	**33,427**
Liabilities							
Derivative contracts				2,907		1,049	1,858
Total				**2,907**		**1,049**	**1,858**

30.12.2018				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(1,000 euros)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments, carrying amount in statements of financial position, gross	Financial instruments held/given as collateral	Cash held/given as collateral	Net amount
Assets							
Derivative cont-racts				51,133		23,302	27,831
Total				**51,133**		**23,302**	**27,831**
Liabilities							
Derivative cont-racts				1,981		289	1,693
Total				**1,981**		**289**	**1,693**

NOTE 19: COLLATERALS

(1,000 euros)	30.6.2019	31.12.2018
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Pledges	34,094	28,392
Loans *	1,849,893	1,782,148
Other	56,360	27,047
Collateral given	**1,940,347**	**1,837,587**
Collateral received		
Real estate collateral	8,322,466	8,090,076
Securities	33,328	34,996
Other	91,099	87,919
Guarantees received	59,401	61,318
Collateral received	**8,506,295**	**8,274,309**

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

NOTE 20: OFF BALANCE-SHEET COMMITMENTS

(1,000 euros)	30.6.2019	31.12.2018
Guarantees	64,620	61,382
Commitments related to short-term trade transactions	618,080	628,996
Other	22,957	7,035
Off balance-sheet commitments	**705,657**	**697,414**

NOTE 21: RELATED PARTIES

The Board of Savings Banks' Union Coop has defined the related parties of the Savings Banks Group. The related parties of the Savings Banks Group's comprise the entities consolidated in the Group's financial statements, associated companies and key management personnel as well as their close family members. In addition, related parties comprise entities which the key management personnel and/or their close family members control. The key management personnel of the Savings Banks Group comprise the members and deputy members of the Supervisory Board, the members of the Board of Directors, the Managing Director and his deputy as well as the Executive Board of Savings Banks' Union Coop.

Loans and guarantees to related parties have been granted under the terms and conditions which apply to the corresponding customer loans and guarantees.

Related party transactions consists mainly of granting of loans and deposits. There haven't been any major changing regarding the related transactions after 31 December 2018.

CAPITAL ADEQUACY INFORMATION

NOTE 22: SUMMARY OF REGULATORY CAPITAL, RWA AND CAPITAL RATIOS

The publishing requirements regarding risk management objectives and policies of the Savings Bank Group are descriped in the Risk Management and Capital adequacy management note of the financial statement. Corporate governance disclosure ingormation and remuneration are included to the Corporate Governance note of the financial statement.

The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company and Savings Banks Services Ltd as well as the companies within the consolidation groups of the above-mentioned entities. Savings Banks' Union Coop acts as the central institution of the Amalgamation.

Capital requirement for the credit risk is calculated with standard method. The capital requirement for the operational risk is calculated with the basic method. The capital requirement relating to market risk is calculated with the basic method on the foreign exchange position.

Capital adequacy's main items

Own Funds (1,000 euros)	30.6.2019	31.12.2018
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,042,776	986,758
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-39,882	-38,524
Common Equity Tier 1 (CET1) capital	**1,002,893**	**948,235**
Additional Tier 1 (AT1) capital before regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 (AT1) capital		
Additional Tier 1 (AT1) capital		
Tier 1 capital (T1 = CET1 + AT1)	**1,002,893**	**948,235**
Tier 2 (T2) capital before regulatory adjustments	22,075	29,736
Total regulatory adjustments to Tier 2 (T2) capital		
Tier 2 (T2) capital	**22,075**	**29,736**
Total capital (TC = T1 + T2)	**1,024,968**	**977,970**
Risk weighted assets	**5,486,292**	**5,385,564**
of which: credit and counterparty risk	4,881,409	4,815,965
of which: credit valuation adjustment (CVA)	114,525	72,423
of which: market risk	31,513	38,332
of which: operational risk	458,844	458,844
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.3 %	17.6 %
Tier 1 (as a percentage of total risk exposure amount)	18.3 %	17.6 %
Total capital (as a percentage of total risk exposure amount)	18.7 %	18.2 %
Capital requirement (1,000 euros)		
Total capital	1,024,968	977,970
Capital requirement total*	605,118	593,940
of which: Pillar 2 additional capital requirement	27,431	26,928
Capital buffer	419,851	384,031

*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, 0.5% Pillar 2 requirement set by the Financial Supervisory Authority and the country-specific countercyclical capital requirements of foreign exposures.

NOTE 23: MINIMUM CAPITAL REQUIREMENTS

Credit and counterparty risk	30.6.2019	30.6.2019	31.12.2018	31.12.2018
Exposure class (1,000 euros)	Risk weighted assets	Capital requirement	Risk weighted assets	Capital requirement
Exposures to central governments or central banks	86	7	117	9
Exposures to regional governments or local authorities	432	35	456	36
Exposures to public sector entities				
Exposures to multilateral development banks	15	1	64	5
Exposures to international organisations				
Exposures to institutions	42,114	3,369	33,212	2,657
Exposures to corporates	1,122,120	89,770	1,035,938	82,875
Retail exposures	865,384	69,231	858,435	68,675
Exposures secured by mortgages on immovable property	2,201,696	176,136	2,147,289	171,783
Exposures in default	68,999	5,520	61,471	4,918
Exposures associated with particularly high risk	9,765	781	9,002	720
Exposures in the form of covered bonds	3,948	316	5,242	419
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	348,195	27,856	434,121	34,730
Equity exposures*)	82,722	6,618	85,254	6,820
Other items	135,934	10,875	145,364	11,629
Credit risk total	4,881,409	390,513	4,815,965	385,277
Credit valuation adjustment (CVA)	114,525	9,162	72,423	5,794
Market risk	31,513	2,521	38,332	3,067
Operational risk	458,844	36,708	458,844	36,708
Total	**5,486,292**	**438,903**	**5,385,564**	**430,845**

NOTE 24: TOTAL EXPOSURE

Credit and counterparty risk 30.6.2019

Exposure class (1,000 euros)	Balance sheet items	Off balance sheet items	Derivatives	Total
Exposures to central governments or central banks	1,623,209			1,623,209
Exposures to regional governments or local authorities	22,733	1,578		24,312
Exposures to public sector entities				
Exposures to multilateral development banks	1,110			1,110
Exposures to international organisations				
Exposures to institutions	57,141	19	111,482	168,642
Exposures to corporates	1,118,872	168,589		1,287,461
Retail exposures	1,678,201	359,966		2,038,167
Exposures secured by mortgages on immovable property	6,337,705	155,321		6,493,026
Exposures in default	83,478	64		83,542
Exposures associated with particularly high risk	6,510			6,510
Exposures in the form of covered bonds	39,475			39,475
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	379,666			379,666
Equity exposures	44,848			44,848
Other items	153,407			153,407
Total	**11,546,356**	**685,537**	**111,482**	**12,343,375**

Credit and counterparty risk 31.12.2018

Exposure class (1,000 euros)	Balance sheet items	Off balance sheet items	Derivatives	Total
Exposures to central governments or central banks	1,524,154	23,256		1,547,410
Exposures to regional governments or local authorities	29,466	7,363		36,830
Exposures to public sector entities				
Exposures to multilateral development banks	11,120			11,120
Exposures to international organisations				
Exposures to institutions	21,558	1,347	83,739	106,643
Exposures to corporates	1,025,812	186,175		1,211,987
Retail exposures	1,173,363	335,189		1,508,552
Exposures secured by mortgages on immovable property	6,179,991	141,646		6,321,636
Exposures in default	56,135	51		56,185
Exposures associated with particularly high risk	6,001			6,001
Exposures in the form of covered bonds	52,423			52,423
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	458,226			458,226
Equity exposures	47,380			47,380
Other items	162,039			162,039
Total	**10,747,668**	**695,026**	**83,739**	**11,526,433**

NOTE 25: RECONCILIATION OF OWN FUNDS

Reconciliation of own funds

(1,000 euros)	30.6.2019	31.12.2018
Total shareholders' equity (IFRS)	**1,091,423**	**1,028,795**
Deductions	-48,647	-42,037
CET1 capital before statutory adjustments	**1,042,776**	**986,758**
Profit for the period	-882	-1,852
Cash flow hedging	-2,753	-3,753
Value adjustments resulting from prudent valuation requirements	-1,181	
Intangible assets	-31,664	-28,682
Difference in deferred tax assets	-3,403	-4,237
Total CET1 capital	**1,002,893**	**948,235**

Savings Bank

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