Savings Banks Group's

HALF-YEAR REPORT

1 JANUARY – 30 JUNE 2023

Savings Bank

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SAVINGS BANKS GROUP'S HALF-YEAR REPORT

1.1.–30.6.2023

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

The operational environment was challenging in many respects during the first half of 2023. Inflation and the general level of interest rates remained high, and the geopolitical situation caused uncertainty to both business and households. The housing market in Finland slowed down, the demand for mortgages decreased significantly and consumer confidence deteriorated.

The Savings Banks Group's strength has always been close long-term cooperation with its customers and operational environment. During the first half of the year, we increased our market share in our continuing operations in both mortgages and our investment fund products, while our capital adequacy strengthened. Our CET1 capital is one of the strongest among Finnish deposit banks, amounting to 19.0 per cent which exceeds the statutory minimum level.

The customer business of the Savings Banks Group continued its strong growth, and the profit trends were excellent. Boosted by the general rise in interest rates, our net interest income from continuing operations increased by 53.2 per cent to EUR 118.6 million, which exceeded our expectations. The Group's loan portfolio increased by 2.3%, when compared to the end of the previous year, to EUR 9.1 billion, while the increased interest rates slowed down the repayment of the loan portfolio. The growth outperformed the market. In the first half of the year, the number of corporate customers using the services extensively increased, as did our market share in corporate finance. Controlled growth is supported by the guarantee programmes of Finnvera and the European Investment Fund, as well as product launches, particularly the Kassavahti deposit funding solution.

> The Savings Banks Group's strength has always been close long-term cooperation with its customers and operational environment.

In spite of uncertainty in the investment markets, the net subscriptions of our investment funds were EUR 150 million in the positive, and our market share increased for the fourth consecutive year. The number of bankruptcies increased significantly in Finland during the spring. Nevertheless, credit losses remained at a low level in both businesses and households. In the comparison period 2022, we recognised compensation received for the termination of the core banking system renewal project in our operating revenue, which had a positive effect of approximately EUR 33.9 million on profit.

Karri Alameri
CEO

During the first half of the year, we conducted continuous development work with our personnel and stakeholders under the joint "Digital Vision 2027". With our activities, we pursue our goal of offering the best combination of in-person and digital services. In order to implement the digital vision, we have launched the preparations for revising the financing process and procure a customer relationship management system. In May, the Savings Banks Group carried out its first deployment under a significant project focused on the renewal of the core systems used in asset management services. Upgrades to information systems enable the Savings Banks Group to develop products and services in an even more customer-oriented manner and more competitively, driven by customer and business needs.

We continued to integrate responsibility into our business operations and develop dialogue with our stakeholders. In the spring, we surveyed our stakeholders' responsibility-related expectations and the materiality of the impacts of our operations. Based on the expectations, we deployed an energy loan for private customers that promotes energy efficiency and the use of renewable energy.

Good Deeds is the Savings Banks Group's annual campaign supporting local sports clubs and hobby activities, youth activities and other good deeds across Finland. We have chosen financial wellbeing as the theme for 2023, and in particular, we want to invest in the wellbeing of children and young people. Early in the year, we revised our personnel survey, aiming to create an opportunity for employees to voice their views and thus influence the priorities of operational development. In the revised survey, we also asked for the net promoter score of our employees, eNPS, for the first time. The response rate to the personnel survey was excellent, 81 per cent. The eNPS of the Savings Banks Group was +32 (scale -100...+100), clearly outperforming the average of expert service organisations.

Skilled and committed employees are a prerequisite for successful operation. I want to extend my thanks to our personnel and administration for the successful first half of the year and our customers for their confidence in the services we offer.

The global political and economic situation still casts a shadow over the outlook for the rest of the year. The tightening competition over loan margins and increasing deposit interest rates in Finland slow down strong profit development. The economic indicators of corporate and consumer confidence contribute to the uncertainty of the demand for services. Systematic investments in advising our customers about their financial situation and understanding the operational environment are the foundation for the profitable growth of our business. We expect that our full-year result will be good.

Karri Alameri
Chief Executive Officer
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 organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 14 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, Lieto Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023. As a result of the exit, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 15 to 14.

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

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

THE GLOBAL ECONOMY

At the beginning of 2023, the economic outlook was overshadowed by fears of an energy crisis, particularly in Europe. Thanks to the mild winter and energy saving efforts, the worst fears did not materialise. The eurozone economy did drift into a slight technical recession in the early part of the year, but that can be considered a defensive victory. Going forward, the outlook of the European economy is slightly better, but the rise in interest rates prevents faster growth. The outlook is reasonably good in the service sector, but substantially weaker in industry and particularly in construction.

The US economy also outperformed expectations in the early part of the year, but the outlook going forward is more subdued, and even a slight recession is possible. While private consumption has held up well, it is gradually starting to suffer from the contraction of purchasing power and the dwindling of savings accumulated during the COVID-19 pandemic. The Chinese economy achieved rapid growth in the first quarter, supported by the discontinuation of COVID-19 lockdowns. Economic data has subsequently weakened, and growth is expected to slow. Still, growth of approximately 5–6% is projected for the full year, which is a high level from a Western perspective.

Central banks around the world have increased their reference rates, which is beginning to be reflected in earnest in the real economy. It will take time for interest hikes to be fully passed on to the economy. There have also been isolated troubles during the rate hike cycle, such as those seen in the US banking sector. Still, the good news is that inflation has begun to fall and is expected to become even more moderate going forward. This makes it possible for central bank rate hikes to come to an end.

INTEREST RATE ENVIRONMENT

Interest rate changes in the eurozone were more moderate during the review period than in 2022. The sharpest rise in short-term interest rates has been seen in the shortest maturities, while the most common reference rate for housing loans, the 12-month Euribor, has risen by less than one percentage point.

Long-term interest rates, for their part, have remained largely unchanged from the turn of the year. The rise in interest rates has been tempered by the markets having a strong expectation that the rate hike cycle will end soon. Recently, however, the European Central Bank has signalled the possibility of further interest rate hikes, which could change the development of interest rates in the second half of the year, particularly if macroeconomic development is favourable.

Although interest rates have levelled off, wholesale funding markets have remained volatile and credit spreads are wide, especially for unsecured debt instruments. This increases the cost of refinancing and partially eliminates the positive impact on the maturity transformation income of banking operations of the yield curve being steeper than in the previous years.

INVESTMENT MARKETS

There was uncertainty in the banking sector in the United States and Europe in the first half of 2023. In the United States, the authorities reacted quickly, and trust in the functioning of the banking system was quickly restored. The prolonged problems of the Switzerland-based Credit Suisse bank culminated in an acquisition facilitated by the authorities, which saw Credit Suisse merged with UBS bank.

Equity market returns were positive in all of the major markets. In the United States, the stocks of large technology companies saw particularly strong growth. In Europe, share prices are more sensitive to economic cycles, and returns were slightly lower than in the US market. In both equity markets, expectations of corporate earnings growth are optimistic given the uncertain economic growth outlook and high inflation. In emerging equity markets, geopolitical tensions and high inflation reduced investors' risk appetite, which contributed to weaker performance when compared to other markets.

In the interest rate markets, nominal yields were positive for both sovereign bonds and corporate bonds. There were no significant changes in the interest rate markets during the first half of the year, although expectations of rising corporate defaults increased.

THE FINNISH ECONOMY

The Finnish economy drifted into a recession in the second half of last year. In early 2023, the economy returned to growth as GDP in the first quarter grew by 0.4% compared to the preceding quarter. The rise in interest rates has had an impact on the housing market and construction in particular. New orders in the industrial sector have declined, and the future outlook is therefore bleaker. By contrast, the service sector is performing fairly well. The employment situation is a bright spot in the economy. The employment rate in Finland has continued to rise.

We expect the Finnish economy to decline slightly this year. Weakening consumer purchasing power will keep private consumption at a subdued level. However, the difficult situation for consumers will gradually improve in the latter part of the year, as inflation slows and wage increases boost household incomes.

THE HOUSING MARKET IN FINLAND

With 2022 having been a year of changes, the housing market has remained at a low ebb. In the fourth quarter of last year, housing sales fell by almost 40%. This was mainly due to rising interest rates and the impact of inflation on the cost of housing and living. The housing transaction volume declined by 36.5% during the first five months of this year. The transaction volume decreased by 32.6% for old dwellings and by 70.6% for new dwellings. Similar downturns in the housing market have previously taken place only during the financial crisis in 2007–2009 and the recession in the 1990s.

Among the cities with the highest housing transaction volumes, the most significant changes have been seen in Espoo (-50.7%), Vantaa (-49.6%) and Oulu (-43.3%). The change in the market has particularly affected the transaction volume for new dwellings, with the highest rates of decline seen in Espoo (-83.5%), Oulu (-78.1%) and Helsinki (-77.7%). Housing prices have fallen from last year, and we project a decline of 4–6% for the full year.

The housing market is expected to recover in the latter part of 2023. This will be driven by interest rate hikes levelling off and pent-up demand. We project steady growth in the housing transaction volume rather than a sudden sharp increase.

The housing transaction volume declined by 36.5% during the first five months of this year. The transaction volume decreased by 32.6% for old dwellings and by 70.6% for new dwellings. Similar downturns in the housing market have previously taken place only during the financial crisis in 2007–2009 and the recession in the 1990s.

THE SAVINGS BANKS GROUP'S PROFIT AND BALANCE SHEET

SAVINGS BANKS GROUP'S FINANCIAL HIGHLIGHTS

(EUR 1,000)	1–6/2023	1–6/2022	1–12/2022
Financial highlights, continuing operations			
Revenue	290,245	150,407	385,123
Net interest income	118,643	77,455	169,610
% of revenue	40.9%	51.5%	44.0%
Profit before taxes	67,462	-3,479	69,631
% of revenue	23.2%	-2.3%	18.1%
Total operating revenue	185,726	122,292	309,210
Total operating expenses (excluding depreciations)	-117,579	-118,569	-223,712
Cost to income ratio	63.3%	97.0%	72.3%
Impairment losses on financial assets	-708	-7,224	-15,882
Financial highlights, continuing operations and exit from Savings banks group total:			
Total assets	12,602,617	13,465,062	13,780,542
Total equity	1,072,115	1,145,102	1,177,829
Return on equity %	6.1%	-0.3%	5.9%
Return on assets %	0.5%	0.0%	0.5%
Equity/assets ratio %	8.5%	8.5%	8.5%
Solvency ratio %	19.1%	18.7%	18.7%

PROFIT TRENDS (COMPARISON FIGURES 1–6/2022)

The Savings Banks Group's profit before tax amounted to EUR 67.5 (-3.5) million. Profit for the period came to EUR 52.7 (-4.5) million. Profit for the period increased by EUR 57.3 million year-on-year. Of income from the customer business, net interest income and insurance service result increased significantly, but net fee and commission income fell short of the comparison period. Liedon Säästöpankki exited from the Savings Banks Group on 28 February 2023. The profit for the review period and comparison period do not include Liedon Säästöpankki.

The Savings Banks Group has applied IFRS 17 Insurance Contracts starting from 1 January 2023. The figures for the comparison period adjusted to align with the new reporting standard include significant negative changes in market value, which are presented through profit and loss in net investment income and finance income and expenses of the insurance contracts. Semiannual report note 2 Basis of preparation, section 3. Adoption of new standards and interpretations describes the adoption of IFRS 17 and the profit and balance sheet formula changes made.

The Savings Banks Group's net interest income was increased by the significant rise in market interest rates. Net interest income grew by 53.2% to EUR 118.6 (77.5) million. Interest income grew to EUR 199.6 (85.5) million. Interest income from loans and advances to customers amounted to EUR 155.2 (67.1) million. Interest income from loans and advances to credit institutions amounted to EUR 19.0 (0.2) million. Interest expenses increased to EUR 80.9 (8.0) million. Interest expenses associated with derivatives used in the management of interest rate risk increased to EUR 37.5 (0.7) million. Interest expenses from debt securities issued came to EUR 23.5 (3.6) million.

Net fee and commission income came to EUR 65.2 (69.7) million. Fee and commission income amounted to EUR 88.8 (89.8) million. Fee and commission income from IFRS 9 investment contracts amounted to EUR 30.0 (31.9) million. Payment transaction fees totalled EUR 24.3 (23.2) million. Fees received for funds amounted to EUR 18.9 (20.4) million and lending commission to EUR 9.3 (10.5) million. An increase in fee expenses decreased the net fee and commission income. Fee expenses increased to EUR 23.6 (20.1) million.

The application of the overlay approach was discontinued in connection with the adoption of IFRS 17, and the investment income from insurance is recognised in full at fair value through profit and loss. Net investment income amounted to EUR -2.4 (-125.8) million. Net income from financial assets at fair value through profit or loss amounted to EUR 3.6 (-122.0) million, including both fair value gains and losses of shares and participations amounting to EUR 6.2 (-118.1) million and net income from hedge accounting, EUR -8.5 (-5.9) million. Of the net investment income, net income from financial assets at fair value through other comprehensive income amounted to EUR -5.9 (-0.9) million. Most of the net investment income was unrealised changes in the value of financial assets measured at fair value through profit or loss.

The insurance service result came to EUR 8.6 (-18.0) million. Insurance premium revenue increased to EUR 39.8 (28.9) million. Insurance service expenses decreased to EUR 31.1 (46.2) million. Loss-making contracts totalling EUR 17.2 million were recognised in insurance service expenses during the comparison period. Actual claims incurred totalled EUR 18.3 (14.4) million.

Following the adoption of IFRS 17, insurance finance income and expenses are disclosed as a separate item on the income statement. The impacts of changes in economic assumptions, such as interest rates, on the value of insurance contract liability, including the change in the fair value of IFRS 17 unit-linked contract liabilities, are recognised in the income statement item. A change in the fair value of investments covering unit-linked contracts is recognised in net investment income. During the review period, insurance finance income and expenses amounted to EUR -22.6 (78.3) million.

Other operating revenue came to EUR 18.1 (40.7) million. In the comparison period, other operating revenue was increased by EUR 33.9 million by compensation received for the termination of the core banking system renewal project.

The Savings Banks Group's total operating revenue increased by 51.9% and amounted to EUR 185.7 (122.3) million. Revenue was increased by the year-on-year growth of net interest income.

The Savings Banks Group's operating expenses decerased by 0.8% to EUR 117.6 (118.6) million. Following the adoption of the IFRS 17 standard, part of operating expenses are capitalised in the calculation of insurance contract liabilities. The operating expenses capitalised in the calculation of insurance contract liabilities during the review period were EUR 6.8 (3.5) million. Personnel expenses increased by 0.6% and amounted to EUR 47.0 (46.7) million. The number of personnel on 30 June 2023 was 1,269 (1,304).

Other administrative expenses came to EUR 65.2 (57.1) million. Other administrative expenses amounted to EUR 20.1 (18.4) million. ICT expenses increased to EUR 24.2 (19.1) million. The increase in ICT expenses was attributable to development investments as well as the rising costs of continuing services.

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets decreased to EUR 5.5 (14.8) million. Depreciation, amortisation and impairment for the comparison period was increased by impairment of EUR 8.7 million recognised on intangible assets capitalised on the balance sheet in connection with the core banking system renewal project.

The Group's cost to income ratio was 63.3% (97.0%).

A total of EUR 0.7 (7.2) million was recognised in impairment of financial assets. These impairments had a negative effect on the Savings Banks Group's profit and loss, and they include the change in expected credit losses for loans granted to customers and off-balance sheet commitments and expected credit losses in other financial assets, final credit losses and credit loss recoveries. The change in expected credit losses recognised during the review period decreased impairment by EUR 2.2 million. Of the increase in expected credit losses, EUR 0.7 million concerned credit and other advances, and EUR -2.9 million concerned other financial assets. Net credit losses realised during the review period totalled EUR 2.9 (0.5) million, and they concerned loans and other advances.

BALANCE SHEET AND FUNDING (COMPARISON FIGURES 31 DECEMBER 2022)

The Savings Banks Group's balance sheet total was EUR 12.6 (13.8) billion at the end of the review period. During the review period, Liedon Säästöpankki exited from the Savings Banks Group on 28 February 2023, which decreased the Savings Banks Group's balance sheet. In the figures for the comparison year, Liedon Säästöpankki is reported in assets and liabilities withdrawing from the Savings Banks Group. Another significant change was associated with the adoption of IFRS 17 Insurance Contracts, which affected the presentation method of the balance sheet. Life insurance assets are presented as part of investment as-sets and other assets. Life insurance liabilities are presented as liabilities related to insurance contracts and financial liabilities at fair value through profit or loss.

Loans and advances to customers amounted to EUR 9.2 (9.0) billion, representing a year-on-year increase of 2.2%. Loans and advances to credit institutions amounted to EUR 184.5 (205.0) million. The Savings Banks Group's investment assets totalled EUR 1.8 (1.8) billion. Cash and cash equivalents remained at the year-end level, amounting to EUR 1.2 (1.2) billion. Investments covering unit-linked insurance policies amounted to EUR 883.5 (855.4) million.

The Savings Banks Group's liabilities to customers totalled EUR 6.8 (7.0) billion. Liabilities to credit institutions came to EUR 465.4 (450.9) million. Debt securities issued amounted EUR 2.7 (2.8) billion. Insurance related liabilities remained at the year-end level, amounting to EUR 571.2 (572.6) million. Liabilities for unit-linked contracts came to EUR 398.8 (362.1) million.

The Savings Banks Group's equity amounted to EUR 1.1 (1.2) billion. The share of non-controlling interests of the Group's equity was EUR 1.4 (1.4) million. The change in the fair value recognised in other comprehensive income was EUR 7.7 (-50.0) million during the review period. The Savings Banks Group's return on equity was 6.1% (30 June 2022: -0.3%) and return on assets was 0.5% (30 June 2022: 0.0%).

The quality of the Savings Banks Group's credit portfolio is good and most credit is secured. The Savings Banks Group does not have significant risk concentrations in the sectors that have been particularly hard hit by the COVID-19 pandemic or the war in Ukraine. The expected credit loss allowance on loans and advances on the balance sheet at the end of the period amounted to EUR 45.2 million (31 December 2022: EUR 44.6 million), or 0.49% (31 December 2022: 0.49%) of loans and advances. The Savings Banks Group's non-performing receivables remained at a moderate level at 2.1% (31 December 2022: 2.1%) of loans and advances.

CAPITAL ADEQUACY AND RISK POSITION

CAPITAL ADEQUACY (COMPARISON FIGURES 31 DECEMBER 2022)

At the end of June 2023, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 988.9 (1,090.5) million, of which CET1 capital accounted for EUR 985.7 (1,090.5) million. Savings Banks Amalgamation does not have additional Tier 1 capital. Tier 2 (T2) capital accounted for EUR 3.2 (0.03) million, which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 5,180.4 (5,837.3) million, i.e., they were 11.3% lower than at the end of the previous year. The capital ratio of the Savings Banks Amalgamation was 19.1 (18.7) % and the CET1 capital ratio was 19.0 (18.7) %. The decrease in own funds and risk-weighted receivables relative to the end of 2022 is attributable to Lieto Savings Bank exiting the Savings Bank Amalgamation. During the period under review, capital adequacy was improved by the profit for the financial period, the increased value of investment portfolio items measured through comprehensive income, and the moderate growth of the credit portfolio.

The capital requirement of Savings Banks Amalgamation was EUR 624.2 (702.0) million. The composition of the capital requirement is shown in the table below. The capital requirement of the Savings Banks Amalgamation consists of the 8% minimum capital requirement laid down in the Capital Requirements Regulation, a discretionary additional capital requirement imposed by the Financial Supervisory Authority, a fixed additional capital requirement pursuant to the Act on Credit Institutions and the country-specific countercyclical capital requirements of foreign exposures.

Despite the challenging operating environment, Savings Banks Group's business is strong on the bottom. Our CET1 capital is one of the strongest among Finnish deposit banks, amounting to 19.0%, which exceeds the statutory minimum level.

COMBINED CAPITAL REQUIREMENT, %

30.6.2023	Minimum requirement	Pillar 2 (SREP)-requirement	Capital conservation buffer	Countercyclical capital buffer	Combined capital requirement
CET1	4.50	0.84	2.50	0.05	7.89
AT1	1.50	0.28			1.78
T2	2.00	0.38			2.38
Total	8.00	1.50	2.50	0.05	12.05

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

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

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

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

The Financial Supervisory Authority has granted permission to the Central Institution of the Amalgamation to waive fully the application of the requirements regarding liquidity set out in part six of Regulation (EU) No 575/2013 and its amending and supplementing acts to the Amalgamation's member credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim that entered into force on 28 June 2021.

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

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

CAPITAL ADEQUACY'S MAIN ITEMS

Own Funds (EUR 1,000)	**30.6.2023**	**31.12.2022**
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,031,752	1,138,741
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-46,035	-48,237
Common Equity Tier 1 (CET1) capital	985,716	1,090,504
Tier 1 capital (T1 = CET1 + AT1)	985,716	1,090,504
Tier 2 (T2) capital before regulatory adjustments	3,173	28
Tier 2 (T2) capital	3,173	28
Total capital (TC = T1 + T2)	988,889	1,090,533
Risk weighted assets	5,180,362	5,837,252
of which: credit and counterparty risk	4,579,432	5,237,903
of which: credit valuation adjustment (CVA)	24,695	23,115
of which: operational risk	576,235	576,235
Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.0	18.7
Tier 1 (as a percentage of total risk exposure amount)	19.0	18.7
Total capital (as a percentage of total risk exposure amount)	19.1	18.7
Capital requirement		
Total capital	988,889	1,090,533
Capital requirement total*	624,219	702,048
of which: Pillar 2 additional capital requirement	77,705	87,559
Capital buffer	364,670	388,485

* The capital requirement is formed by the statutory minimum capital adequacy requirement of 8%, the capital conservation buffer of 2.5% according to the Act on Credit Institutions, the 1.5% Pillar 2 requirement set by the Financial Supervisory Authority and the country-specific countercyclical capital requirements of foreign exposures.

LEVERAGE RATIO

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

LEVERAGE RATIO

(EUR 1,000)	30.6.2023	31.12.2022
Tier 1 capital	985,716	1,090,504
Total leverage ratio exposures	11,876,254	13,194,516
Leverage ratio	8.3	8.3

RESOLUTION PLAN

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

The MREL requirement is by nature a Pillar II type minimum requirement that must be met continuously. According to the decision of the Financial Stability Authority, the MREL requirement applied to the Savings Banks Amalgamation is 19.49% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher, until 31 December 2023, and as of 1 January 2024, the MREL requirement is 19.77% of the total risk exposure amount or 7.85% of the total exposures, whichever is higher.

The MREL requirement applied to Sp Mortgage Bank Plc is 14.4% of the total risk exposure amount or 5.1% of the total exposures, whichever is higher, until 31 December 2023, and as of 1 January 2024 it is 15.71% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher.

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

RISK POSITION

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

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

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

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

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

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

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

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

RESPONSIBILITY

Responsibility is an important part of the over 200-year-old savings bank ideology, our values and our strategy. Responsibility supports our competitiveness and diverse value creation for our stakeholders. The Savings Banks Group implements its responsibility strategy and roadmap for 2022–2024. The main themes of the responsibility strategy include responsibility for the customer's financial wellbeing, community wellbeing, sustainable financing and products, responsible growth and good governance, and ecological efficiency and the climate. Targets and performance indicators have been set for the main themes in the responsibility strategy, including climate targets, and the strategy also outlines the UN Sustainable Development Goals we support. We want to adhere to the best practices related to responsibility and, in the spring, we became a member of the UN Global Compact, which is the world's largest corporate responsibility initiative.

We also developed our responsibility reporting and processes in the spring. We published our second taxonomy report as part of our Board of Directors' report and our annual responsibility report, including a TCFD review of climate risks with regard to Savings Banks' asset management activities. In Savings Banks' asset management, we developed responsibility assessment, reporting and tools. We also published our updated Responsible Investment Policy and reports of principal adverse impacts on sustainability factors. In the spring, we adopted new responsible and sustainable lending principles as part of our credit guidelines and integrated them into our credit risk strategy, credit management guidelines and processes. We also continued the assessment of our own operations, investments, and the carbon dioxide emissions of the loan portfolio. We also prepared for the requirements of sustainable finance and sustainability-related regulations by developing an ESG data map that guides ESG data collection. We also carried out improvement measures in selected information systems.

The Savings Banks Group aims to continue to integrate responsibility into our business operations and develop dialogue with our stakeholders. In the spring, we surveyed our stakeholders' responsibility-related expectations and the materiality of the impacts of our operations. Based on the expectations, we launched an energy loan for private customers that promotes energy efficiency and the use of renewable energy, and we continued the development of a responsible corporate guarantee/loan product. In addition, over 90% of the funds managed by Sp-Fund

The Savings Banks Group aims to continue to integrate responsibility into our business operations and develop dialogue with our stakeholders. In the spring, we surveyed our stakeholders' responsibility-related expectations and the materiality of the impacts of our operations. Based on the expectations, we launched an energy loan for private customers that promotes energy efficiency and the use of renewable energy, and we continued the development of a responsible corporate guarantee/loan product.

Management Company are classified as light green according to Article 8 of the EU Sustainable Finance Disclosure Regulation. Investment activities as well as financial and insurance advisory services also take into account sustainability risks and principal adverse impacts on sustainability factors.

Financial wellbeing is the most central theme of our responsibility strategy. In our business, it is a strategic priority to provide customers with the best combination of digital and personal services. Through our financial wellbeing solutions, we aim to promote a positive Savings Bank experience and secure digitalisation. The indicators we use to measure this are the Net Promoter Score and the solution rate for telephone services. The responsibility indicators we monitor on a half-yearly basis developed in the right direction.

Indicator and target	Outcome 1–6/2023
NPS for in-person, online and telephone meetings: target 80	83.4
Solution rate by phone: target 85	Private customers 81 Corporate customers 78

We value and maintain the professional expertise of our personnel. We want our employees to have a high level of wellbeing, competence and motivation. The expertise of our personnel enables us to create added value for our customers, and expertise is at the heart of the strategy we use to achieve our business goals.

During the first half of the year, we revised our personnel survey. In the revised personnel survey, our themes include the employee experience, job satisfaction and mood, as well as our operating culture. The aim of the personnel survey is to create an opportunity for employees to voice their views and thus influence the priorities of operational development. In the revised survey, we also asked for the net promoter score of our employees, eNPS, for the first time.

The response rate to the personnel survey was excellent, 81 per cent. The eNPS of the Savings Banks Group was +32 (scale -100...+100), clearly outperforming the average of expert service organisations.

CREDIT RATINGS

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

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

OPERATIONS AND PROFIT BY BUSINESS SEGMENT

BANKING SERVICES

Customer satisfaction among the Savings Banks' private customers was excellent in early 2023. The average Net Promoter Score (NPS) of the Savings Banks' customer negotiations was 85.1. The share of online negotiations and other remote channels increased during the first half of the year and exceeded 30% of all meetings . During the first half of the year, we engaged in development efforts under the title of "Digital Vision 2027" to pursue our goal of offering the best combination of in-person and digital services. In spite of the difficult market situation, the growth rate of the housing loan portfolio of Savings Banks' private customers exceeded the general development of the market.

The Savings Banks Group's investments in the corporate customer business have been reflected in the Group's continuing operations as increased market shares, high customer satisfaction and new product launches. The average Net Promoter Score (NPS) of the Savings Banks' corporate customer negotiations was 87.5. In the first half of the year, the number of corporate customers using the services extensively increased, as did the Group's market share in corporate finance. Growth has been controlled despite the challenging market situation. Growth has been supported by the guarantee programmes of Finnvera and the European Investment Fund, as well as product launches, particularly the Kassavahti deposit funding solution.

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

The objective of the Savings Banks Group's Sp Mortgage Bank is to strengthen the competitiveness of the Savings Banks Group through competitive funding and to promote the implementation of the strategy of the Savings Banks Group through its own operations. Sp Mortgage Bank is responsible for the residential mortgage loan funding of the Savings Banks Group by issuing covered bonds. The Savings Banks Group's mortgage banking operations progressed according to plan and the credit portfolio grew to EUR 2,037 million (31.12.2022: EUR 1,993 million) by the end of the review period.

The share of online negotiations and other remote channels increased during the first half of the year and exceeded 30% of all meetings.

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

FINANCIAL PERFORMANCE (COMPARATIVE FIGURES 1–6/2022)

Income statement for operating segments is presented for continuing operations.

Profit before tax of Banking operations stood at EUR 42.8 (17.3) million. Net interest income was EUR 118.4 (77.7) million, an increase of 52.4 %. Significant rise in market interest rates increased net interest income for banking services. Net fee and commission income totalled EUR 34.2 (32.1) million. Net investment income amounted to EUR -10.6 (-15.7) million. Other operating revenue was EUR 11.8 (42.5) million. In the comparison period, other operating revenue were increased by one-off compensation EUR 33.9 million received from Cognizant in connection with the termination of the agreement related to the core banking system renewal project.

A total of EUR 0.7 (7.2) million was recorded in impairments of financial assets. These impairments had a negative effect on the Savings Banks Group's profit and loss. The change in expected credit losses recognised during the reporting period increased impairment by EUR 2.2 million. Of the increase in expected credit losses, EUR 0.7 million concerned loans and other receivables and EUR -2.9 million other financial receivables. The net credit losses realised during the reporting period totalled EUR 2.9 (0.5) million, and they concerned loans and other receivables.

Personnel expenses were EUR 31.8 (29.9) million. The number of personnel in the Banking operations segment was 882 (873) at the end of the reporting period. Other operating expenses and depreciation decreased by 4.5% to EUR 78.5 (82.2) million. In the comparison period, expenses were increased by impairment of EUR 8.7 million recognised on intangible assets capitalised on the balance sheet in connection with the core banking system renewal project.

The balance sheet for Banking operations totalled EUR 11.5 (31.12.2022: 11.2) billion. Loans and advances to customers increased by 2.2% to EUR 9.2 (9.0) billion. Deposits received from customers was EUR 6.8 (7.0) billion.

ASSET MANAGEMENT SERVICES

During the review period, the Asset Management Services business was affected by uncertainties in the investment markets and interest rates stabilising at a higher level due to changes in the inflation outlook. Steady progress was made in the Savings Banks Group's asset management services during the review period. The Savings Banks focused on delivering an excellent customer experience and high-quality customer service.

The Savings Bank Private Banking Service achieved strong development during the review period. A total of around 250 new private banking customer relationships were established. The Private Banking Service combines the Savings Banks' excellent customer experience and professional expertise to benefit the customer. Customers are interested in personalised and active asset management services particularly in times when the investment environment is challenging.

In May, the Savings Banks Group carried out its first deployment under a significant project focused on the renewal of the core systems used in asset management services. Upgrades to information systems enable the Savings Banks Group to develop products and services in an even more customer-oriented manner and more competitively, driven by customer and business needs. The operations of Sb Life Insurance Ltd and Sp-Fund Management Company Ltd were undisrupted throughout the review period and the customer experience remained good.

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Net subscriptions to investment funds managed by Sp-Fund Management Company were positive. Its market share among Finnish fund management companies increased by 0.2 percentage points to 3.1% at the end of the review period. Fund capital managed by Sp-Fund Management Company Ltd increased by 6.7% during the review period and totalled EUR 4.4 billion at the end of the period.

Net subscriptions to Savings Bank funds amounted to EUR 150.1 million (193.6) for the review period. The number of fund unit holders decreased by 0.3% during the review period. The funds had 282,771 (283,556) unit holders. In terms of the number of unit holders, Sp-Fund Management Company is the fourth-largest fund management company in Finland.

At the end of the review period, Sp-Fund Management Company managed 33 investment funds, the largest of which was the Savings Bank Korko Plus investment fund with capital of EUR 0.7 billion. With 36,485 unit holders, the Savings Bank Ryhti investment fund was the largest in terms of the number of unit holders. The Säästöpankki Lyhytkorko investment fund accumulated the newest capital, with EUR 73.3 million in net subscriptions.

The premium income of Sb Life Insurance's insurance saving products amounted to EUR 38 million for the review period. The demand for Sb Life Insurance's risk life insurance policies remained largely stable in spite of the weakened housing market, with premium income increasing by 5.3% year-on-year. Sb Life Insurance's premium income for the review period totalled EUR 45.4 (50.6) million. The most significant factor contributing to the profitability of life insurance operations was investment income. The arm's length return on the investment assets of Sb Life Insurance was 2.8%.

FINANCIAL PERFORMANCE (COMPARISON FIGURES 1–6/2022)

The Savings Banks Group has applied IFRS 17 Insurance Contracts starting from 1 January 2023. Following the adoption of the standard, the insurance service result and insurance finance income and expenses are disclosed as separate items on the income statement.

Profit before tax for the Asset Management Services business came to EUR 22.9 (-18.7) million. Net fee and commission income amounted to EUR 31.0 (37.8) million. Net investment income was EUR 8.3 (-110.0) million.

Insurance service result was EUR 8.6 (-18.0) million. Insurance premium revenue increased to EUR 39.8 (28.9) million. Insurance service expenses decreased to EUR 31.1 (46.9) million. Loss-making contracts amounting EUR 17.2 million were recognised in insurance service expenses during the comparison period. Actual claims incurred amounted to EUR 18.3 (14.4) million. Under the review period, net insurance finance income and expenses amounted to EUR -22.6 (78.3) million.

Operating expenses were EUR 3.1 (6.8) million. Personnel expenses amounted to EUR 1.2 (2.4) million. Total other operating expenses and depreciations were EUR 1.9 (4.4) million. The number of personnel in the Asset Management Services segment on 30 June 2023 was 56 (63).

Following the adoption of the IFRS 17 standard, part of operating expenses are capitalised in the calculation of insurance contract liabilities. The operating expenses capitalised in the calculation of insurance contract liabilities during the review period were EUR 6.8 (3.5) million.

The balance sheet for Asset Management Services stood at EUR 1,076.9 million (31 December 2022: EUR 1,035.8 million).

MATERIAL EVENTS AFTER THE CLOSING DATE

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

OUTLOOK FOR THE END OF THE YEAR

The global political and economic situation still casts a shadow over the outlook for the rest of the year. The tightening competition over loan margins and increasing deposit interest rates in Finland slow down strong profit development. The modest consumer confidence contributes to the uncertainty of the de-mand for services. Systematic investments in advising our customers about their financial situation and understanding the operational environment are the foundation for the profitable growth of our business. We expect that our full-year result will be good.

FURTHER INFORMATION:

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

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

FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS:

Revenue: Interest income, fee income, net trading income, net investment income, net life insurance income, other operating revenue

Total operating revenue: Net interest income, net fee and commission income, net trading income, net investment income, net life insurance income, other operating revenue

Total operating expenses: Personnel expenses, other operating expenses, depreciation and impairment charges on tangible and intangible assets

Cost to income ratio:

$$\frac{\text{Total operating expenses}}{\text{Total operating revenue}} \times 100$$

Return on equity %:

$$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}} \times 100$$

Return on assets %:

$$\frac{\text{Profit}}{\text{Total assets (average)}} \times 100$$

Equity/assets ratio %:

$$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}} \times 100$$

ALTERNATIVE PERFORMANCE MEASURES

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

Savings Bank Group is not using any alternative performance measures that are not directly calculated using the information presented in the Half-year Report, nor have any changes occurred in the financial highlights.

HALF-YEAR REPORT (IFRS)

SAVINGS BANKS GROUP'S INCOME STATEMENT

(EUR 1,000)	Note	1–6/2023	1–6/2022*
Interest income		199,579	85,462
Interest expense		-80,936	-8,006
Net interest income	4	118,643	77,455
Net fee and commission income	5	65,224	69,681
Net investment income	7.4	-2,351	-125,835
Insurance premium revenue		39,765	28,880
Insurance service expenses		-31,132	-46,887
Net insurance income	9	8,633	-18,007
Finance income and expenses of the insurance contracts	9	-22,562	78,313
Other operating revenue		18,139	40,685
Total operating revenue		185,726	122,292
Personnel expenses		-46,971	-46,685
Other operating expenses		-65,151	-57,078
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-5,457	-14,806
Total operating expenses		-117,579	-118,569
Net impairment loss on financial assets	7.3	-708	-7,224
Associate's share of profits		24	21
Profit before tax		67,462	-3,479
Income tax expense		-14,736	-1,063
Profit, continuing operations		52,727	-4,542
Profit, Lieto Savings Bank's exit from Savings Banks Group		2,712	8,626
Profit		55,439	4,083
Profit attributable to:			
Equity holders of the Group		55,439	4,103
Non-controlling interests			-20
Total		55,439	4,083

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

SAVINGS BANKS GROUP'S STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1–6/2023	1–6/2022*
Profit	55,439	4,083
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Capital gain of financial assets at fair value through other comprehensive income	1,196	
Total	1,196	
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	9,832	-61,478
Deferred tax from fair value measurements	-2,125	12,369
Cash flow hedges	42	-880
Deferred tax from cash flow hedges	-8	176
Total	7,740	-49,814
Total comprehensive income	64,375	-45,730
Attributable to:		
Equity holders of the Group	64,375	-45,710
Non-controlling interests		-20
Total	64,375	-45,730

SAVINGS BANKS GROUP'S STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	30.6.2023	31.12.2022*
Assets			
Cash and cash equivalents**		1,193,319	1,207,448
Loans and advances to credit institutions	7.1	184,529	205,047
Loans and advances to customers	7.1	9,222,971	9,024,439
Derivatives	10	20	89
Investment assets	7.2	1,817,336	1,783,216
Reinsurance contract assets	9	68	16
Investments in associates and joint ventures		142	119
Property, plant and equipment		41,606	39,093
Intangible assets		30,826	27,690
Tax assets		18,495	20,094
Other assets		93,304	103,303
Demerged assets from Savings Banks Group			1,369,986
Total assets		12,602,617	13,780,542
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss		448,110	391,140
Liabilities to credit institutions	8.1	465,413	450,946
Liabilities to customers	8.1	6,818,277	6,994,366
Derivatives	10	256,910	263,422
Debt securities issued	8.2	2,748,914	2,756,666
Insurance contract liabilities	9	571,162	572,589
Subordinated liabilities	8.3	3,257	2,142
Tax liabilities		64,896	68,558
Provisions and other liabilities		153,564	133,067
Demerged liabilities from Savings Banks Group			969,816
Total liabilities		11,530,502	12,602,712

(EUR 1,000)	Note	30.6.2023	31.12.2022*
Equity			
Basic capital		30,220	25,224
Primary capital		31,452	31,452
Reserves		236,152	191,138
Retained earnings		772,927	928,651
Total equity attributable to equity holders of the Group		1,070,751	1,176,465
Non-controlling interests		1,365	1,365
Total equity		1,072,115	1,177,829
Total liabilities and equity		12,602,617	13,780,542

* Comparatives have been adjusted due to the transition to IFRS 17 as well as end of temporary exemption (more information note 2).

** Specification in the statement of cash flows

SAVINGS BANKS GROUP'S STATEMENT OF CASH FLOWS

(EUR 1,000)	1–6/2023	1–6/2022*
Cash flows from operating activities		
Profit	52,727	32,478
Adjustments for items without cash flow effect	12,996	44,337
Income taxes paid	1,383	-8,674
Cash flows from operating activities before changes in assets and liabilities	67,106	68,140
Increase (-) or decrease (+) in operating assets	116,823	-458,287
Financial assets at fair value through profit or loss	36,915	9,841
Loans and advances to credit institutions	20,059	-67,333
Loans and advances to customers	43,667	-398,229
Investment assets, at fair value through other comprehensive income	19,129	3,815
Investment assets, at amortized cost	-13,739	10,034
Life insurance assets		-1,679
Other assets	10,792	-14,736
Increase (-) or decrease (+) in operating liabilities	-135,256	583,219
Liabilities at fair value through profit or loss		
Liabilities to credit institutions	171,619	120,014
Liabilities to customers	-178,046	233,064
Debt securities issued	-20,573	219,682
Life insurance liabilities		-988
Other liabilities	20,497	11,447
Exit from Savings banks group	-128,753	
Total cash flows from operating activities	48,673	193,072

(EUR 1,000)	1–6/2023	1–6/2022*
Cash flows from investing activities		
Other investments	-38,594	-656
Investments in investment property and in property, plant and equipment and intangible assets	-10,589	-7,767
Disposals of investment property and property, plant and equipment and intangible assets	284	222
Exit from Savings banks group	3	
Total cash flows from investing activities	-48,896	-8,202
Cash flows from financing activities		
Increase in subordinated liabilities	3,173	
Decrease in subordinated liabilities	-665	-3,634
Increase in basic capital	200	449
Distribution of profits	-9,720	-3,558
Other monetary increases in equity items	-971	
Other monetary decreases in equity items	-1,393	-1,000
Total cash flows from financing activities	-9,376	-7,743
Change in cash and cash equivalents	-9,599	177,127
Cash and cash equivalents at the beginning of the period	1,227,015	1,057,635
Cash and cash equivalents at the end of the period	1,217,416	1,234,763
Cash and cash equivalents comprise the following items:		
Cash	1,193,319	1,210,407
Receivables from central banks repayable on demand	24,097	24,356
Total cash and cash equivalents	1,217,416	1,234,763
Dividends received	189,334	93,770
Interest paid	34,648	6,492
Dividends received	2,638	2,028

* Comparatives hasn't been adjusted due to exit from Savings Banks Group and the transition to IFRS 17

SAVINGS BANKS GROUP'S STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Basic capital	Primary capital	Share premium	Fair value reserve	Reserve for hedging instru-ments	Reserve fund	Other reserves	Total reserves	Re-tained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 31 December 2021	25,235	32,452	126,896	17,169	942	47,022	74,323	266,351	864,871	1,188,908	1,384	1,190,292
Effect of transition to IFRS 17 and end of temporary exemption 1.1.2022*				-18,423				-18,423	22,813	4,390		4,390
Equity 31 December 2021	25,235	32,452	126,896	-1,254	942	47,022	74,323	247,928	887,683	1,193,298	1,384	1,194,682
Comprehensive income												
Profit									66,421	66,421	-20	66,401
Other comprehensive income				-56,328	-993			-57,321	51	-57,271		-57,271
Total comprehensive income				-61,413	-993			-57,321	66,472	9,150	-20	9,130
Transactions with owners												
Distribution of profits									-3,793	-3,793		-3,793
Tranfers between items	-1			5,059		-4,222	-29,026	-28,189	-128,497	-156,687		-156,687
Other changes			10,692			-2,843	-8,597	-748	-11,499	-12,247		-12,247
Changes that did not result in loss of control	-11	-1,000							-10,212	-11,223		-11,223
Changes in Savings Bank Group's structure												
Exit from the Savings Banks Group**	1			-4,692		5,134	29,026	29,467	128,497	157,965		157,965
Total equity 31 December 2022	25,224	31,452	137,588	-62,300	-51	45,091	65,726	191,138	928,650	1,176,464	1,364	1,177,829

* Comparatives have been adjusted due to the transition to IFRS 17 as well as end of temporary exemption (more information note 2).

(EUR 1,000)	Basic capital	Primary capital	Share premium	Fair value reserve	Reserve for hedging instru-ments	Reserve fund	Other reserves	Total reserves	Re-tained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1 January 2023	25,224	31,452	137,588	-62,300	-51	45,091	65,726	191,138	928,650	1,176,464	1,364	1,177,829
Comprehensive income												
Profit									55,439	55,439		55,439
Other comprehensive income				7,707	33			7,740	1,196	8,936		8,936
Total comprehensive income				7,707	33			7,740	56,635	64,375		64,375
Transactions with owners												
Distribution of profits									-9,720	-9,720		-9,720
Subscription issue			200					200		200		200
Tranfers between items			71,438	4,112		-9,000		66,550	-71,387	-4,837		-4,837
Other changes							-9	-9	-42	-51		-51
Changes that did not result in loss of control	4,996									4,996		4,996
Changes in Savings Bank Group's structure												
Exit from the Savings Banks Group**	-1			4,692		-5,134	-29,026	-29,467	-131,209	-160,677		-160,677
Total equity 30 June 2023	30,220	31,452	209,225	-45,789	-18	30,957	36,692	236,152	772,927	1,070,750	1,364	1,072,115

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

BASIS OF PREPARATION

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

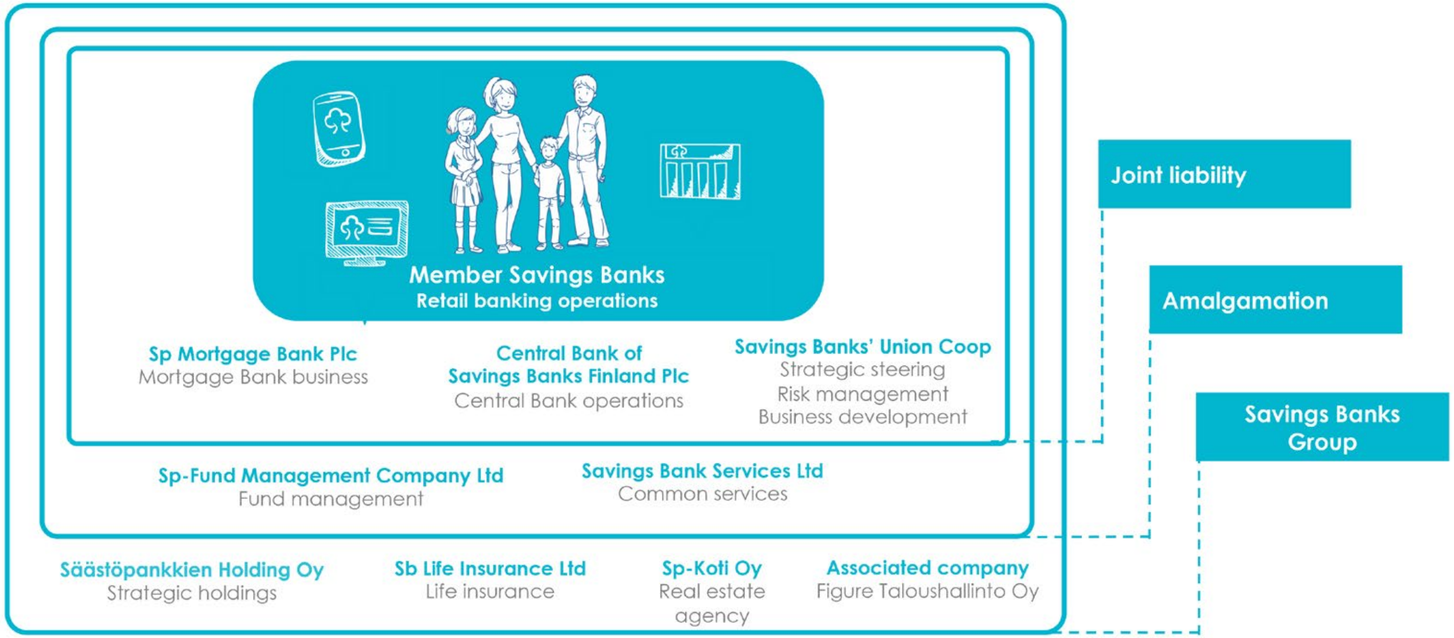
The Savings Banks Group is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by Savings Banks. Together the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

The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 14 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc as well as the companies within the consolidation groups of the above-mentioned entities and Sp-Fund Management Company Ltd.

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

During the review period, Lieto Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023. As a result of the exit, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 15 to 14.

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



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

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

The Savings Banks Group's financial statements and half-year report are available at www.saastopankki.fi/saastopankkiryhma.

NOTE 2. ACCOUNTING POLICIES

1. GENERAL

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

The Half-year report has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard. The review period was prepared in accordance with the IFRS 17 Insurance Contracts standards for the first time; for additional information, see section 3. Adoption of new standards and interpretations. The application of the overlay approach to life insurance investment assets was discontinued in conjunction with the adoption of IFRS 17. The financial statement 2022 contain the full accounting principles.

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

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

2. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

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

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

In the half-year report dated 30 June 2023, the most significant uncertainties influencing the management's estimates have been Russia's war of aggression in Ukraine, the resulting energy crisis in Europe, accelerating inflation and rising market interest rates. There is considerable uncertainty associated with estimating the economic impacts of the above-mentioned factors, which particularly influences the assessment of the expected credit losses on financial assets.

2.1 Determination of expected credit losses

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

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

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

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

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

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

2.2 Measurement of insurance contracts

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

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

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

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

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

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

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

Judgment related to the application of the VFA valuation model

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

Judgment related to the determination of coverage units

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

Judgment related to the determination of investment components

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

Judgment related to the models used in the IFRS 17 transition

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

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

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

3. ADOPTION OF NEW STANDARDS AND INTERPRETATIONS

Applying IFRS 17 Insurance Contracts standard

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

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

Significant changes to the Savings Banks Group's accounting principles

The most significant changes to the Savings Banks Group's accounting principles are presented below. The Savings Banks Group's new accounting principles pertaining to insurance contracts are described in their entirety in Note 9.

Life insurance policies granted by the Savings Banks Group are classified as either insurance contracts or investment contracts. Insurance policies classified as insurance contracts include those with a significant insurance risk or where the policyholder has the right or the opportunity to amend the contract in such a way that the policyholder becomes entitled to a discretionary share of the company's surplus. Purely unit-linked insurance policies which do not have a significant insurance risk are classified as investment contracts. The Savings Banks Group's insurance contracts are treated in the Savings Banks Group's financial statements in accordance with the IFRS 17 Insurance Contracts standard. The IFRS 9 Financial Instruments standard is applied to contracts classified as investment contracts. Reinsurance policies are treated in accordance with IFRS 17 as insurance contracts.

Recognition of insurance contracts

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

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

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

- the insurance period of the insurance contract group begins;
- the first premium due from the policyholder is due; or
- the insurance contract group becomes loss-making.

Measurement of insurance contracts

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

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

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

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

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

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

Determination of cash flows

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

Determination of the discount rate

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

Presentation of insurance contracts

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

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

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

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

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

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

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

- In the income statement, the Savings Banks Group presents the new IFRS 17 compliant items "Insurance service result" and "Finance income and expenses of insurance contracts". The previously presented income statement item "Net income from life insurance operations" has been eliminated.

- Going forward, net investment income from life insurance – which is recognised in net income from life insurance operations – will be presented in the item "Net investment income".

- Fee and commission income and expenses from investment contracts classified as falling within the scope of IFRS 9 are recognised in the net item "Net fee and commission income". The item was previously included in the item "Net income from life insurance operations".

- In the balance sheet, the Savings Banks Group presents the new IFRS 17 compliant balance sheet items "Insurance contract assets" and "Insurance contract liabilities". The previously presented items "Life insurance assets" and "Life insurance liabilities" have been eliminated.

- The investment assets of life insurance operations are presented in the balance sheet item "Investment assets". The item was previously included in the item "Life insurance assets".

- Investment contracts in life insurance operations that are measured in accordance with IFRS 9 are presented in the balance sheet item "Financial assets recognised at fair value through profit or loss". The item was previously included in the item "Life insurance liabilities".

Information about the transition

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

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

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

At the end of the financial year 2022, life insurance liabilities calculated in accordance with IFRS 4 totalled EUR 947 million, of which insurance contract liabilities classified according to IFRS 17 amounted to EUR 575 million and investment contracts classified according to IFRS 9 amounted to EUR 373 million.

Calculated in accordance with IFRS 17, liabilities classified as insurance liabilities decreased by EUR 2 million to EUR 573 million. The contractual insurance service margin (CSM) at the time of transitioning to IFRS 17 on 1 January 2022 was EUR 9 million. On 31 December 2022, it was EUR 12 million.

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

The tables below show the change in equity on the date of transition on 1 January 2022, as well as the adjusted income statements and balance sheets for the comparison periods.

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

EFFECT OF THE TRANSITION TO EQUITY 1 JANUARY 2022, EQUITY HOLDERS

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

CHANGES IN OPENING BALANCE 1 JANUARY 2022

(EUR 1,000)	Publiced statement of financial position 31.12.2021	Effect of transition to IFRS 17	Opening statement of financial position 1.1.2022
Assets			
Cash and cash equivalents*	1,017,904		1,017,904
Loans and advances to credit institutions	129,484		129,484
Loans and advances to customers	9,602,782		9,602,782
Derivatives	33,693		33,693
Investment assets	974,226	1,159,941	2,134,167
Life insurance assets	1,160,683	-1,160,683	
Investments in associates and joint ventures	102		102
Property, plant and equipment	46,222		46,222
Intangible assets	35,323		35,323
Tax assets	10,556	-1,510	9,046
Other assets	68,120	4,813	72,932
Total assets	13,079,096	2,560	13,081,657
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss	13,706	407,170	420,876
Liabilities to credit institutions	423,705		423,705
Liabilities to customers	7,682,351		7,682,351
Derivatives	15,511		15,511
Debt securities issued	2,500,165		2,500,165
Life insurance liabilities	1,084,728	-1,084,728	
Insurance contract liabilities		670,635	670,635
Subordinated liabilities	13,427		13,427
Tax liabilities	65,760	1,475	67,235
Provisions and other liabilities	89,450	3,618	93,068
Total liabilities	11,888,804	-1,829	11,886,974
Equity			
Basic capital	25,235		25,235
Primary capital	32,452		32,452
Reserves	266,350	-18,423	247,927
Retained earnings	864,871	22,813	887,683
Total equity attributable to equity holders of the Group	1,188,908	4,390	1,193,298
Non-controlling interests	1,384		1,384
Total equity	1,190,293	4,390	1,194,682
Total liabilities and equity	13,079,096	2,560	13,081,657

ADJUSTED FIGURES OF COMPARATIVE PERIOD 2022

Savings Banks Group's statement of financial position (EUR 1,000)	Publiced statement of financial position 31.12.2022	Effect of transition to IFRS 17	Opening statement of financial position 31.12.2022
Assets			
Cash and cash equivalents*	1,207,448		1,207,448
Loans and advances to credit institutions	205,047		205,047
Loans and advances to customers	9,024,439		9,024,439
Derivatives	89		89
Investment assets	784,650	998,567	1,783,216
Life insurance assets	1,006,583	-1,006,583	
Reinsurance contract assets		16	16
Investments in associates and joint ventures	119		119
Property, plant and equipment	39,093		39,093
Intangible assets	27,690		27,690
Tax assets	20,063	32	20,094
Other assets	94,362	8,942	103,303
Demerged assets from Savings Banks Group	1,369,986		1,369,986
Total assets	13,779,568	974	13,780,542
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss	18,107	373,032	391,140
Liabilities to credit institutions	450,946		450,946
Liabilities to customers	6,994,366		6,994,366
Derivatives	263,422		263,422
Debt securities issued	2,756,666		2,756,666
Life insurance liabilities	950,931	-950,931	
Insurance contract liabilities		572,589	572,589
Subordinated liabilities	2,142		2,142
Tax liabilities	66,454	2,104	68,558
Provisions and other liabilities	129,627	3,440	133,067
Demerged liabilities from Savings Banks Group	969,816		969,816
Total liabilities	12,602,478	234	12,602,712
Equity			
Basic capital	25,224		25,224
Primary capital	31,452		31,452
Reserves	204,110	-12,972	191,138
Retained earnings	914,940	13,711	928,651
Total equity attributable to equity holders of the Group	1,175,725	739	1,176,465
Non-controlling interests	1,365		1,365
Total equity	1,177,090	739	1,177,829
Total liabilities and equity	13,779,568	974	13,780,542

Savings Banks Group's income statement (EUR 1,000)	Publiced income statement 1–6/2022	Effect of transition to IFRS 17*	Demerged function	Adjusted income statement 1–6/2022
Interest income	93,715		-8,253	85,462
Interest expense	-8,347		341	-8,006
Net interest income	85,367		-7,912	77,455
Net fee and commission income	59,217	17,651	-7,187	69,681
Net investment income	-17,386	-110,015	1,565	-125,835
Insurance premium revenue		28,880		28,880
Insurance service expenses		-46,887		-46,887
Net income from reinsurance contracts				
Insurance sevice result		-18,007		-18,007
Net insurance finance income and expenses		78,313		78,313
Net life insurance income	6,882	-6,882		
Other operating revenue	49,036		-8,352	40,685
Total operating revenue	183,117	-38,940	-21,885	122,292
Personnel expenses	-51,826	1,985	3,157	-46,685
Other operating expenses	-64,534	1,462	5,994	-57,078
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-16,310		1,504	-14,806
Total operating expenses	-132,670	3,447	10,654	-118,569
Net impairment loss on financial assets	-7,787		563	-7,224
Associate's share of profits	21			21
Profit before tax	42,681	-35,493	-10,667	-3,479
Income tax expense	-10,203	7,099	2,042	-1,063
Profit, continuing operations	32,478	-28,394	-8,626	-4,542
Profit, Lieto Savings Bank's exit from Savings Banks Group			8,626	8,626
Profit	32,478	-28,394		4,083

* Includes both the corrections according to the IFRS 17 Insurance Contracts standard and the cancellation of the temporary excemption.

Savings Banks Group's income statement (EUR 1,000)	Publiced income statement 1–12/2022	Effect of transition to IFRS 17	Adjusted income statement 1–12/2022
Interest income	204,880		204,880
Interest expense	-35,270		-35,270
Net interest income	169,610		169,610
Net fee and commission income	103,261	30,636	133,897
Net investment income	-7,174	-105,378	-112,553
Insurance premium revenue		52,634	52,634
Insurance service expenses		-58,554	-58,554
Net income from reinsurance contracts		16	16
Insurance sevice result		-5,904	-5,904
Net insurance finance income and expenses		79,193	79,193
Net life insurance income	18,396	-18,396	
Other operating revenue	44,966		44,966
Total operating revenue	329,059	-19,850	309,210
Personnel expenses	-92,371	5,327	-87,044
Other operating expenses	-116,217		-116,217
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-20,452		-20,452
Total operating expenses	-229,040	5,327	-223,712
Net impairment loss on financial assets	-15,882		-15,882
Associate's share of profits	16		16
Profit before tax	84,154	64,271	69,631
Income tax expense	-17,386	2,904	-14,481
Profit, continuing operations	66,768	67,175	55,150
Profit, Lieto Savings Bank's exit from Savings Banks Group	11,251		11,251
Profit	78,019	67,175	66,401

PROFIT FOR THE PERIOD, FINANCIAL POSITION AND OTHER NOTES

NOTE 3. OPERATING SEGMENTS

The Savings Banks Group reports information about its operating segments in compliance with IFRS 8. According to IFRS 8, the financial information regularly provided to the chief operating decision maker forms the basis for segment reporting. Thus the segment division of the information presented in the Financial Statements is based on the same division as is applied in management reporting.

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

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

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

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

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

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

Pricing between the segments is based on market prices.

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

INCOME STATEMENT 1-6/2023

(EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	118,445	216	118,661
Net fee and commission income	34,184	30,960	65,144
Net investment income	-10,574	8,335	-2,240
Net insurance income		8,633	8,633
Finance income and expenses of the insurance contracts		-22,562	-22,562
Other operating revenue	11,761	417	12,178
Total operating revenue	153,815	25,999	179,815
Income statement	-31,829	-1,220	-33,049
Liiketoiminnan muut kulut ja poistot yhteensä	-78,514	-1,872	-80,386
Liiketoiminnan kulut yhteensä	-110,342	-3,092	-113,434
Net impairment loss on financial assets	-708		-708
Profit before tax	42,765	22,907	65,673
Taxes	-9,583	-4,568	-14,151
Profit	33,182	18,339	51,522
Statement of financial position 30.6.2023			
Cash and cash equivalents	1,193,319		1,193,319
Loans and advances to credit institutions	163,266	14,629	177,895
Loans and advances to customers	9,222,971		9,222,971
Derivatives	20		20
Investment assets	763,911	1,049,369	1,813,279
Reinsurance contract assets		68	68
Other assets	162,067	12,805	174,872
Total assets	11,505,553	1,076,871	12,582,424
At fair value through profit or loss		398,979	398,979
Liabilities to credit institutions	465,324		465,324
Liabilities to customers	6,818,277		6,818,277
Derivatives	256,910		256,910
Debt securities issued	2,748,914		2,748,914
Insurance contract liabilities		571,162	571,162
Subordinated liabilities	3,173		3,173
Other liabilities	167,124	40,621	207,745
Total liabilities	10,459,721	1,010,762	11,470,483
Number of emplyees at the end of the period	882	62	944

Reconciliations	1–6/2023	1–6/2022
Revenue		
Total revenue for reportable segments	179,815	124,750
Withdrawal from Savings Banks Group, other operations	5,912	-2,458
Total revenue of the Group	185,726	122,292
Profit		
Total profit or loss for reportable segments	51,522	-2,444
Non allocated amounts	1,205	-2,099
Withdrawal from Savings Banks Group	2,712	8,626
Total profit of the Group	55,439	4,083

	30.6.2023	31.12.2022
Assets		
Total assets for reportable segments	12,582,424	12,251,910
Non allocated assets, other operations	20,193	158,646
Withdrawal from Savings Banks Group		1,369,986
Total assets of the Group	12,602,617	13,779,567
Liabilities		
Total liabilities for reportable segments	11,470,483	11,447,898
Non allocated liabilities, other operations	60,018	184,998
Withdrawal from Savings Banks Group		969,816
Total liabilities of the Group	11,530,502	12,602,478

INCOME STATEMENT 1-6/2022

(EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	77,701	-174	77,527
Net fee and commission income	32,132	37,784	69,916
Net investment income	-15,661	-110,013	-125,674
Net insurance finance income and expenses		-18,007	-18,007
Net life insurance income		78,313	78,313
Other operating revenue	42,463	212	42,675
Total operating revenue	136,635	-11,885	124,750
Personnel expenses	-29,877	-2,359	-32,236
Other operating expenses	-82,240	-4,432	-86,671
Total operating expenses	-112,117	-6,790	-118,907
Net impairment loss on financial assets	-7,224		-7,224
Profit before tax	17,294	-18,675	-1,381
Taxes	-3,590	2,527	-1,063
Profit	13,704	-16,148	-2,444
Statement of financial position 31.12.2022			
Cash and cash equivalents	1,207,448		1,207,448
Loans and advances to credit institutions	54,443	13,948	68,390
Loans and advances to customers	9,024,439		9,024,439
Derivatives	89		89
Investment assets	766,103	1,012,514	1,778,617
Life insurance assets		16	16
Other assets	163,557	9,352	172,909
Total assets	11,216,080	1,035,830	12,251,910
At fair value through profit or loss		373,032	373,032
Liabilities to credit institutions	291,865		291,865
Liabilities to customers	6,994,366		6,994,366
Derivatives	263,422		263,422
Debt securities issued	2,756,666		2,756,666
Insurance contract liabilities		572,589	572,589
Subordinated liabilities	1,642		1,642
Other liabilities	159,033	35,282	194,316
Total liabilities	10,466,994	980,904	11,447,898
Number of emplyees at the end of the period	873	63	936

NOTE 4. NET INTEREST INCOME

Interest income and expense are accrued over maturity using the effective interest rate method. Using this method, the income and expenses arising from an instrument are accrued in relation to the residual receivable and liability in the balance sheet until maturity.

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

(EUR 1,000)	1–6/2023	1–6/2022
Interest income		
Debt securities eligible for refinancing with Central Bank	3,051	1,846
Loans and advances to credit institutions	18,983	187
Loans and advances to customers	155,200	67,122
Debt securities	2,255	2,885
Derivative contracts		
Hedging derivatives	19,071	10,482
Other	1,018	2,939
Total	199,579	85,462
Interest expense		
Liabilities to credit institutions	-3,449	-1,829
Liabilities to customers	-16,329	-1,625
Derivative contracts		
Hedging derivatives	-37,509	-660
Debt securities issued	-23,488	-3,606
Subordinated liabilities	-3	-83
Other	-157	-204
Total	-80,936	-8,006
Net interest income	118,643	77,455

NOTE 5. NET FEE AND COMMISSION INCOME

Net fee and commission income consists of the income and expenses associated with services provided to customers. As a rule, fees and commissions for performing an action or a service are recognised when the performance obligation towards the customer has been satisfied and control has been transferred. Income is recognised at the amount which the Savings Banks Group believes it is entitled to in exchange for the services performed.

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

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

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

(EUR 1,000)	1–6/2023	1–6/2022
Fee and commission income		
Lending	9,329	10,549
Deposits	93	92
Payment transfers	24,348	23,197
Securities brokerage	285	356
Mutual fund brokerage	18,910	20,402
Asset management	746	353
Legal services	1,913	1,860
Custody fees	725	1,027
Insurance brokerage	753	755
Guarantees	1,183	1,057
Unit-linked contracts	30,086	31,921
Other	436	-1,780
Total	88,807	89,790
Fee and commission expense		
Payment transfers	-3,289	-2,872
Securities	-355	-334
Mutual fund brokerage	-197	-473
Asset management	-530	-558
Unit-linked contracts	-17,614	-14,270
Other	-1,598	-1,601
Total	-23,583	-20,108
Net fee and commission income	65,224	69,681

NOTE 6. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

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

Business model assessment

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

Assesment of cash flow characteristics

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

Financial assets - measurement categories and principles for classification

Amortised cost

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

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

Measured at fair value through other comprehensive income

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

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

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

Financial assets measured at fair value through profit or loss

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

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

Classification and measurement of financial liabilities

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

- amortised cost
- fair value through profit or loss.

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

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

(EUR 1,000) 30.6.2023	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Non-financial assets/liabilities	Total
Cash and cash equivalents	6,705		1,186,614		1,193,319
Loans and advances to credit institutions	184,529				184,529
Loans and advances to customers	9,222,778		193		9,222,971
Derivatives					
hedging derivatives					
fair value hedges			20		20
Investment assets	78,648	541,784	291,074	22,352	933,858
Assets covering unit-linked contracts			883,479		883,479
Total assets	9,492,660	541,784	2,361,379	22,352	12,418,175
Financial liabilities at fair value through profit or loss			49,131		49,131
Liabilities to credit institutions	465,413				465,413
Liabilities to customers	6,818,277				6,818,277
Derivatives					
hedging derivatives					
cash flow			177		177
fair value hedges			256,619		256,619
other than hedging derivatives			113		113
Debt securities issued	2,748,914				2,748,914
Unit-linked contract liability			398,849		398,849
Subordinated liabilities	3,257				3,257
Total liabilities	10,035,860		704,890		10,740,750

(EUR 1,000) 31.12.2022	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Non-financial assets/liabilities	Total
Cash and cash equivalents	6,948		1,200,500		1,207,448
Loans and advances to credit institutions	76,273				76,273
Loans and advances to customers	9,024,296		143		9,024,439
Derivatives					
hedging derivatives					
cash flow hedges			20		20
fair value hedges					
other than hedging derivatives					
Investment assets	61,201	701,579	141,624	22,460	926,864
Assets covering unit-linked contracts			855,427		855,427
Total assets	9,168,718	701,579	2,197,695	22,460	12,090,451
Financial liabilities at fair value through profit or loss			18,107		18,107
Liabilities to credit institutions	293,794				293,794
Liabilities to customers	6,994,366				6,994,366
Derivatives					
hedging derivatives					
cash flow			224		224
fair value hedges					
other than hedging derivatives			113		113
Debt securities issued	2,756,666				2,756,666
Unit-linked contract liability			859,814		859,814
Subordinated liabilities	2,142				2,142
Total liabilities	10,046,968		878,258		10,925,226

NOTE 6.1. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

30.6.2023				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				20			20
Total				20			20
Liabilities							
Derivative contracts				256,910		115,579	141,331
Total				256,910		115,579	141,331

31.12.2022				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				89	320		-231
Total				89	320		-231
Liabilities							
Derivative contracts				263,422		114,485	148,937
Total				263,422		114,485	148,937

NOTE 7. LOANS AND ADVANCES

7.1 LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND CUSTOMERS

Loans and advances to credit institutions and customers are, as a rule, classified as assets measured at amortised cost. Consequently, a loss allowance for expected credit losses is calculated for them. The table below shows the gross values, loss allowances for expected credit losses and balance sheet values for loans and advances by product type.

30.6.2023 **(EUR 1,000)**	**Not impaired (gross)**	**Expected credit losses (ECL)**	**Balance sheet value**
Loans and advances to credit institutions			
Deposits	184,418	-43	184,374
Loans and other receivables	167	-12	155
Total	184,585	-56	184,529
Loans and advances to customers			
By products			
Used overdrafts	87,140	-854	86,286
Loans	8,560,453	-40,544	8,519,909
Interest subsidized housing loans	483,497	-81	483,416
Loans granted from government funds	9		9
Credit cards and consumer loans	135,054	-2,454	132,600
Guarantees	945	-193	751
Total	9,267,098	-44,126	9,222,971
Loans and advances total	9,451,682	-44,182	9,407,500

31.12.2022 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	204,922	-8	204,915
Loans and other receivables	136	-3	132
Total	205,058	-11	205,047
Loans and advances to customers			
By products			
Used overdrafts	78,234	-797	77,438
Loans	8,382,002	-38,630	8,343,372
Interest subsidized housing loans	465,873	-1,536	464,338
Loans granted from government funds	9		9
Credit cards	140,991	-2,435	138,556
Guarantees	936	-209	727
Total	9,068,045	-43,606	9,024,439
Loans and advances total	9,273,103	-43,617	9,229,486

7.2 INVESTMENT ASSETS

(EUR 1,000)	30.6.2023	31.12.2022
At fair value through other comprehensive income		
Debt securities	539,106	561,610
Shares and participations	2,678	107,467
Total	541,784	669,077
Fair value through profit or loss		
Debt securities	10,219	14,185
Shares and participations	1,166,683	1,018,886
Total	1,176,902	1,033,071
Amortised cost investments		
Debt securities	76,346	58,655
Expected Credit Losses	-48	-46
Total	76,298	58,608
Investment property	22,352	22,460
Investment assets	1,817,336	1,783,216

BREAKDOWN BY ISSUER OF QUOTATION

30.6.2023 (EUR 1,000)	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Total
Quoted				
From public entities	162,747	554	66,332	229,633
From others	369,611	1,138,831	6,062	1,514,504
Other				
From public entities	2,061		3,953	6,014
From others	7,365	37,517		44,882
Total	541,784	1,176,902	76,346	1,795,032

31.12.2022 (EUR 1,000)	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Total
Quoted				
From public entities	131,400	590	56,055	188,045
From others	529,073	976,816		1,505,889
Other				
From public entities				0,00
From others	8,604	55,666	2,553	66,823
Total	669,077	1,033,072	58,608	1,760,757

7.3 IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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

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

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

- Stage 2 includes financial assets for which the credit risk has increased significantly after the date of initial recognition. The measurement of the expected credit loss for stage 2 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.
- Stage 3 includes financial assets that are impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

The table below present the financial assets within the scope of measurement of expected credit losses by impairment stage.

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

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 30 June 2023				
Investment assets	629,419	24,077		653,496
Loans and advances	7,935,393	1,160,085	188,335	9,283,814
Off-balance sheet items	651,814	32,892	4,739	689,445
Total	9,216,626	1,192,977	193,074	10,626,755

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

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

- Payment delay: the credit risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when payment delay exceeds 30 days. When payment delay for a financial asset exceeding the threshold exceeds 90 days, it is deemed to be impaired and is migrated from stage 2 to stage 3.
- PD% increase (loans and advances): the risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when the defined relative or absolute thresholds for the PD% increase are exceeded.
- Forbearance: the credit risk of a performing financial asset subject to forbearance is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2. If the contract is forborne and non-performing or if a forbearance concession is made for a contract at the time of application, the contract is deemed to be impaired and is migrated to stage 3.
- Default: If the counterparty of a financial asset is in default, the contract is deemed to be impaired and is migrated to stage 3.
- PD% increase (investment assets): credit risk is deemed to have increased significantly when the relative or absolute threshold for PD% increases is exceeded.

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

The tables below present the development of the expected credit losses as of the beginning of the financial year.

Expected credit losses (ECL), Loans and advances and off-balance sheet items	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected credit losses 1 January 2023	3,035	5,397	36,119	44,550
Transfers to stage 1	254	-664	-46	-456
Transfers to stage 2	-527	2,656	-1,043	1,086
Transfers to stage 3	-53	-768	6,221	5,399
New assets originated or purchased	1,115	30	434	1,580
Assets derecognised or repaid (excluding write offs)	-449	-191	-2,933	-3,573
Amounts written off			-3,212	-3,212
Amounts recovered			349	349
Change in credit risk	-694	-1,062	1,276	-480
Net change in ECL				693
Expected credit losses 30 June 2023	2,681	5,397	37,165	45,243

Expected credit losses (ECL), Investment assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected credit losses 1 January 2023	2,240	3,538	499	6,277
Transfers to stage 1				
Transfers to stage 2	-15	400		385
Transfers to stage 3				
New assets originated or purchased	62			62
Assets derecognised or repaid (excluding write offs)	-349	-995	-499	-1,843
Amounts written off				
Amounts recovered				
Change in credit risk	-67	-1,399		-1,466
Net change in ECL				-2,862
Expected credit losses 30 June 2023	1,872	1,543		3,415
Total expected credit losses 30 June 2023				48,658
Total change in expected credit losses 1 January 2023 – 30 June 2023				-2,169

METHODS AND PARAMETERS USED IN CALCULATION OF EXPECTED CREDIT LOSSES

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

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

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

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

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

	2023	2024	2025
Change in EuropeStoxx %	3.0 % / 6.0 %	6.0 %	7.0 %
Change in GDP	0.0 % / 1.5 %	1.20 %	1.20 %
Investments	0.0 % / 3.0 %	1.50 %	1.50 %

The war in Ukraine and impacts of the economic sanctions against Russia

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

Expected Credit Losses (ECL), Loans and advances and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected Credit Losses 1 January 2022	2,992	2,356	30,473	35,821
Transfers to stage 1	416	-987	-42	-613
Transfers to stage 2	-670	4,243	-2,726	847
Transfers to stage 3	-105	-787	7,229	6,338
New assets originated or purchased	3,215	-118	2,007	5,104
Assets derecognised or repaid (excluding write offs)	-575	-820	-4,823	-6,218
Amounts written off			-3,353	-3,353
Amounts recovered			481	481
Change in credit risk	-1,234	-552	6,875	5,089
Change in model for calculation of ECL	-1,004	2,061	-1	1,056
Net change in ECL				8,729
Expected Credit Losses 31 December 2022	3,035	5,397	36,119	44,550

Expected Credit Losses (ECL), Investment assets	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected Credit Losses 1 January 2022	1,293	30	3,194	4,517
Transfers to stage 2	-75	3,748		3,673
Transfers to stage 3				
Investments during the period	275	10		285
Investments expired	-257	-250		-507
Amounts written off			-2,696	-2,696
Amounts recovered				
Change in credit risk	1,005		1	1,005
ECL net change				1,760
Expected Credit Losses 31 December 2022	2,240	3,538	499	6,277
Total Expected Credit Losses 31 December 2022				50,827
Total change in Expected Credit Losses 1 January 2022 -31 December 2022				10,489

7.4 NET INVESTMENT INCOME

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

(EUR 1,000)	1–6/2023	1–6/2022
Net income from financial assets at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	1,546	-310
Transferred from fair value reserve during the financial year	-8,805	-164
Total Debt securities	-7,260	-474
Shares and participations		
Dividend income	1,396	-396
Total shares and participations	1,396	-396
Total	-5,863	-870
Net income from financial asset at fair value through profit or loss		
Debt securities		
Capital gains and losses	-1	18
Fair value gains and losses	332	-2,269
Shares and participations		
Dividend income	2,905	4,060
Capital gains and losses	1,875	-63
Fair value gains and losses	6,236	-118,096
Net income from foreign exchange operations	-35	90
Derivative contracts*	751	1
Net income from hedge accounting		
Change in hedging instruments' fair value	5,650	-160,393
Change in hedged items' fair value	-14,133	154,608
Total	3,580	-122,043

* Including EUR 5 thousand (1) of the ineffective part of cash flow hedges.

(EUR 1,000)	1–6/2023	1–6/2022
Net income from investment property		
Rental and dividend income	1,844	2,385
Capital gains and losses	67	185
Other income from investment property	44	33
Maintenance charges and expenses	-1,760	-2,090
Depreciation and amortisation of investment property	-367	-1,129
Rental expenses arising from investment property	-1	-24
Total	-174	-640
Other income	106	-2,331
Net investment income	-2,351	-125,884

7.5 OFF-BALANCE SHEET COMMITMENTS

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

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

(EUR 1,000)	30.6.2023	31.12.2022
Guarantees	59,616	73,111
Commitments related to short-term trade transactions	732,048	687,575
Other	11,393	12,306
Exit from the Savings bank group		75,931
Off balance-sheet commitments	803,058	848,923

NOTE 8. FUNDING

8.1 LIABILITIES TO CREDIT INSTITUTIONS

(EUR 1,000)	30.6.2023	31.12.2022
Liabilities to credit institutions		
Liabilities to central banks	68,000	68,000
Liabilities to credit institutions	397,413	382,946
Total	465,413	450,946
Liabilities to customers		
Deposits	6,878,172	7,055,706
Other financial liabilities	7	519
Change in the fair value of deposits	-59,902	-61,859
Total	6,818,277	6,994,366
Liabilities to credit institutions and customers	7,283,690	7,445,312

8.2 DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2023	31.12.2022
Measured at amortised cost		
Bonds	571,133	582,282
Covered bonds	2,045,642	2,045,010
Other		
Certificates of deposit	132,138	129,373
Debt securities issued	2,748,914	2,756,666
Of which		
Variable interest rate	275,536	350,885
Fixed interest rate	2,473,378	2,405,780
Total	2,748,914	2,756,666

Covered bonds issued (EUR 1,000)	Nominal value	Carrying amount	Maturity	Interest base	Coupon	Maturity date
Sp Mortgage Bank 2019	500,000	498,756	7 years	7 years	0.05 %	19.6.2026
Sp Mortgage Bank 2021	500,000	502,182	7 years	7 years	0.01 %	28.9.2028
Sp Mortgage Bank 2022	300,000	299,301	3 years	3 years	1.00 %	28.4.2025
Sp Mortgage Bank 2022	750,000	745,402	5 years	5 years	3.13 %	1.11.2027
Yhteensä	2,050,000	2,045,642				

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

8.3 SUBORDINATED LIABILITIES

(EUR 1,000)	Average interest rate %	30.6.2023
Subordinated loans	4.00 %	84
Other		
Debentures	4.00 %	3,173
Subordinated liabilities		3,257
	Average interest rate %	31.12.2022
Subordinated loans	4.00 %	84
Other		
Debentures	2.48 %	2,058
Subordinated liabilities		2,142

NOTE 9. INSURANCE CONTRACTS

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

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

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

Recognition of insurance contracts

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

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

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

- the insurance period of the insurance contract group begins;
- the first premium due from the policyholder is due; or
- the insurance contract group becomes loss-making.

The Savings Banks Group derecognises the contract when the contract is no longer in force and the Savings Banks Group no longer has any contract-related financial risks.

Presentation of insurance contracts

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

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

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

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

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

Insurance service result (EUR 1,000)	1.6.2023	1.6.2022
Insurance premium revenue		
Expected claims incurred	1,526	1,398
Expected other directly allocated insurance service costs	6,800	6,812
Changes in risk adjustment (other than adjustments related to funding risks)	381	355
Contractual service margin of services produced during the period	1,026	977
Experience adjustments	30,033	19,337
Total insurance premium revenue*	39,765	28,880
Insurance service expenses		
Actual claims incurred	18,311	14,396
Actual other directly allocated insurance service costs	6,335	6,876
Onerous contracts	-68	17,202
Changes arising from insurance events occurred in services for past periods	5,991	7,714
Total insurance service expenses*	30,569	46,187
Total net income from reinsurance contracts	653	699
Insurance service resul	8,633	-18,007

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

Net insurance finance expenses (EUR 1,000)	1.6.2023	1.6.2022
Unwinding of discount of insurance liability	-8,468	909
Change in financial assumptions	-14,172	77,613
Other changes	78	-208
Total net insurance finance income / expenses*	-22,562	78,313

Measurement of insurance contracts

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

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

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

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

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

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

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

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

Determination of cash flows

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

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

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

Determination of the discount rate

The Savings Banks Group has defined the discount rate for insurance contract liabilities as the risk-free interest rate plus a liquidity premium. The liquidity premium is calculated separately for each product group. At the moment, all of the Savings Banks Group's insurance product groups are liquid by nature and therefore the risk-free yield curve is not adjusted with a liquidity premium. For new products, the Savings Banks Group assesses their liquidity characteristics and the need to adjust the risk-free yield curve with a liquidity premium.

Insurance contract liabilities and assets (EUR 1,000)	30.6.2023	31.12.2022
Liabilities for the remaining coverage period	564,134	565,628
Liability for occurred losses	7,028	6,961
Total insurance contract liabilities	571,162	572,589
Total insurance contract assets	822	925
Reinsurance contract assets	68	16

The life insurance business' equity principle

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

NOTE 10. DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

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

The fair values and nominal capital of the derivative contracts of the continuing operations are presented below, broken down by maturity.

30.6.2023	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	**less than 1 year**	**1–5 years**	**more than 5 years**	**Total**	**Assets**	**Liabilities**
Non-hedging derivative contracts						
Interest rate derivatives	10,000			10,000		113
Hedging derivative contracts						
Fair value hedging*						
Interest rate derivatives	63,000	2,271,000	843,000	3,177,000	20	256,619
Cash flow hedging**						
Interest rate derivatives	20,000			20,000		177
Total	93,000	2,271,000	843,000	3,207,000	20	256,910

* Fixed rate deposits (Liabilities to customers) designated as hedged items in fair value hedging have total nominal value of EUR 939,000 thousand and total booking value of EUR 879,098 thousand.

Fixed rate issued bonds (Debt securitues issued) designated as hedged items in fair value hedging have total nominal value of EUR 2,248,000 thousand and total booking value of EUR 2,050,620 thousand.

Nominal values of hedging instruments equal to the nominal values of hedged items.

** Variable rate loans (Loans and advances to customer) designated as hedged items in cash flow hedging have total nominal value of EUR 20,000 thousand and total booking value of EUR 20,000 thousand. Nominal values of the hedging derivative contracts equal to the nominal values of the hedged items.

The effective part of the cash flow hedges amounting to EUR -18 thousand was recognised in other comprehensive income and the ineffective part amounting to EUR 5 thousand was recognised in profit or loss. The effective part of cash flow hedges transferred from other comprehensive income to profit or loss was EUR -33 thousand during the reporting period.

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

(EUR 1,000)	less than 1 year	1–5 years	more than 5 years	Total
Interest rate derivatives	145			145
Total	145			145

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

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

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

NOTE 11. FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

The Savings Banks Group measures assets and liabilities at amortised cost or at fair value. Financial assets and liabilities that are classifed as to be measured at fair value are measured at fair value. The breakdown of financial assets and liabilities into measurement categories is presented in note 6.

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

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

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

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

Fair value hierarchy

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

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

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

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

Transfers between the hierarchy levels

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

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

Financial assets 30.6.2023	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	1,475,936	1,461,762		14,174	1,475,936
Asset Management Services*	885,424	870,441		14,983	870,441
Derivative contracts					
Banking	20		20		20
Fair value through other comprehensive income					
Banking	541,784	537,137	2,061	2,587	541,784
Measured at amortised cost					
Investments, Banking	78,648	78,115	3,939		82,054
Loans and other receivables, Banking	9,414,012		10,645,817		10,645,817
Total financial assets	12,395,823	2,947,455	10,651,837	31,743	13,616,052
Investment property					
Banking	22,352			37,219	37,219
Total	22,352			37,219	37,219

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

Financial liabilities 30.6.2023	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking					
Asset Management Services*	447,980	447,980			447,980
Derivative contracts					
Banking	256,910		256,910		256,910
Measured at amortised cost					
Banking	10,035,860	2,675,376	6,354,264	872,305	9,901,945
Total financial liabilities	10,740,750	3,123,356	6,611,174	872,305	10,606,834

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3.

Financial assets at fair value through profit or loss (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2023	14,980	15,783	30,764
Purchases	624	11	636
Sales	-1,701	-551	-2,252
Changes in value recognised in income statement, realised		-1	-1
Changes in value recognised in income statement, unrealised	274	-259	15
Transfers between levels 1 and 2	-4		-4
Carrying amount 30 June 2023	14,174	14,983	29,156

Changes in fair value recognised in the income statement are presented in the item "Net investment income".

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2023	4,030		4,030
Sales	-1,448		-1,448
Changes in value recognised in comprehensive income statement	5		5
Carrying amount 30 June 2023	2,587		2,587

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

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

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

30.6.2023 (EUR 1,000)	Carrying amount	Effect of hypothetical changes' on profit, negative	
At fair value through profit or loss			
Banking	14,174		-41
Total	14,174		-41
Fair value through other comprehensive income			
Banking, liabilities	2,587		-37
Asset Management Services			-2,252
Total	2,587		-2,289
Total	16,760		-2,330

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.

Financial assets 31.12.2022	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	1,339,322	1,325,991		13,332	1,339,322
Asset Management Services*	858,372	858,372			858,372
Derivative contracts					
Banking	89		89		89
Fair value through other comprehensive income					
Banking	562,311	558,241		4,070	562,311
Asset Management Services*	139,269	123,486		15,783	139,269
Measured at amortised cost					
Investment assets, banking	61,201	57,638			57,638
Loans and advances, banking	9,107,517		10,226,220		10,226,220
Total financial assets	12,068,081	2,923,727	10,226,310	33,185	13,183,221
Investment property					
Banking	22,460			57,549	57,549
Total	22,460			57,549	57,549

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

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

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3.

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

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

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

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

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

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

31.12.2022 (EUR 1,000)	Carrying amount	Negative effect of hypothetical changes' on profit	
At fair value through profit or loss			
Banking	13,332		-55
Total	13,332		-55
Fair value through other comprehensive income			
Banking	4,070		-76
Asset Management Services	15,783		-2,374
Total	19,853		-2,450
Total	33,185		-2,505

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

NOTE 12. COLLATERALS

(EUR 1,000)	30.6.2023	31.12.2022
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans *	2,959,222	3,158,567
Other	256,433	208,580
Collateral given	3,215,655	3,367,147
Collateral received		
Real estate collateral	8,615,869	9,623,120
Securities	49,557	100,415
Other	207,713	215,704
Guarantees received	33,997	38,919
Collateral received	8,907,137	9,978,158

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

NOTE 13. RELATED PARTIES

The Board of Savings Banks' Union Coop has defined the related parties of the Savings Banks Group. The related parties of the Savings Banks Group's comprise the entities consolidated in the Group's financial statements, associated companies and key management personnel as well as their close family members. In addition, related parties comprise entities which the key management personnel and/or their close family members control. The key management personnel of the Savings Banks Group comprise the members and deputy members of the Supervisory Board, the members of the Board of Directors, the Managing Director and his deputy as well as the Executive Board of Savings Banks' Union Coop. Loans and guarantees to related parties have been granted under the terms and conditions which apply to the corresponding customer loans and guarantees. Related party transactions consists mainly of granting of loans, deposits and guarantees. There haven't been any major changing regarding the related transactions after 31 December 2022.

NOTE 14. LIETO SAVINGS BANK'S EXIT FROM THE SAVINGS BANKS GROUP

During the review period, Lieto Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023.

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

Lieto Savings Bank's operating result is presented in the Savings Banks Group's income statement separately from the revenue and expenses of continuing operations and the comparative information has been adjusted accordingly. Lieto Savings Bank's assets and liabilities are presented in the Savings Banks Group's balance sheet as a separate line item under assets and liabilities and, in accordance with the IFRS 5 standard.

Profit for the period from demerged operations	1–6/2023	1–6/2022
(EUR 1,000)		
Total operating revenue	7,257	21,885
Total operating expenses	-4,766	-10,654
Impairment losses on financial assets	140	-563
Profit before taxes	2,631	10,667
Taxes	82	-2,042
Profit for the financial year	2,712	8,626

The key balance sheet items of the demerged operations	30.6.2023	31.12.2022
(EUR 1,000)		
Loans and advances to customers	-	1,016,646
Loans and advances to credit institutions	-	13,299
Investment assets	-	78,808
Other assets	-	15,807
Total assets	-	1,369,986
Liabilities to customers	-	942,741
Liabilities to credit institutions	-	13,488
Other liabilities	-	13,586
Total liabilities	-	969,815

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