SAVINGS BANKS GROUP'S

RELEASE OF FINANCIAL STATEMENTS 1 JANUARY–31 DECEMBER 2019

Savings Bank

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Review by the Managing Director of the Savings Banks' Union Coop

The Savings Banks Group had a very good year in 2019. Thanks to its systematic and long-term efforts, the Group created an excellent customer experience and further strengthened its position as one of Finland's leading providers of retail banking services. Savings Banks work in the customer's best interest.

The Savings Banks Group's aim is to grow profitably while managing risks. This goal was achieved very well, with the Savings Banks Group recording its best operating result during its history as an amalgamation. Profitable growth was accomplished in the banking group's most important business areas, namely the financing of private customers and SMEs as well as saving and investment services. Savings Banks Group actively promotes the financial wellbeing of its customers. Net interest income grew in line with the long-term target, outpacing the market growth rate slightly. Net fee and commission income saw strong growth and increased its significance as a component of the Group's result.

Banking is changing rapidly. Customers want more digital services and better digital services as well as increasingly meaningful face-to-face encounters with the bank's professionals. Financial coaching and advice is emphasised in these encounters. It is also important that the bank's services are available when the customer needs them. With this in mind, the Savings Banks Group wants to be local, safe, highly professional and always accessible.

Savings Banks are local and close to the customer. In addition to being local, it is important to have the capacity to provide digital self-service solutions for customers to use regardless of the time and location. To that end, the Group released a new mobile banking application in 2019, which immediately achieved a position among the market's leading mobile banking solutions. The continuous development of the mobile banking solution will be an integral aspect of the Savings Banks Group's operations in the coming years, with regular releases and continuous improvements.

The Savings Banks Group's strategic goal is to create the market's best combination of digital and face-to-face services for its customers today and in the future. The year 2019 showed that we are well on the path towards achieving this goal. The majority of customer encounters are already digital, but the most meaningful encounters take place face-to-face. An interesting link between digital and face-to-face customer encounters is created by online negotiations, which were introduced in the Savings Banks Group in 2019 and grew in popularity continuously through the year.

The Group took significant strategic measures during the financial year in accordance with the Group strategy revised in 2018. One of the key projects was the decision regarding a new core banking system that enables the development of the digital bank of the future and ensures a modern banking platform for the Savings Banks Group for the next decade. The new core banking system aims to facilitate faster and more efficient deployment of services, better preparedness for information management and more cost-efficient management of transactions and agreements. A significant change in the operating model was implemented in connection with this development. The Savings Banks Group sold its shares in Samlink Ltd and entered into a strategic partnership with Cognizant's newly established Finnish subsidiary. The Savings Banks Group recognised a profit before tax of just over EUR 12 million on the sale of the shares.

One of the key factors in basic banking operations is the bank's ability to refinance its lending in a safe and efficient manner. In order to increase the efficiency of its refinancing, the Savings Banks Group established a mortgage credit bank in 2016. The mortgage bank has emitted EUR 1.5 billion worth of covered bonds, which has a favourable effect on the Group's refinancing costs. An AAA credit rating by S&P Global Ratings has been confirmed for Savings Banks Group's covered bonds. The central credit institution of Savings Banks, the Central Bank of Savings Banks Finland Plc, holds an S&P Global Ratings credit rating of A-/A-2. The outlook is stable.

Savings Banks Group continued to actively build strategic partnerships and announced several partnerships during the financial year. Previously announced strategic partnerships were also actively developed further. Good examples of partnerships based on similar backgrounds include the partnership with POP Bank Group in the area of saving and investment and the corporate financing partnership with LocalTapiola Group.

Tomi Närhinen
Toimitusjohtaja, Säästöpankkiliitto osk

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, 20 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 financial year, three savings bank mergers were completed. Kiikoisten Säästöpankki merged with Huittisten Säästöpankki, Suomenniemen Säästöpankki merged with Säästöpankki Optia and Pyhärannan Säästöpankki merged with Kalannin Säästöpankki. Due to these mergers, the number of savings banks in the Amalgamation and in the Group declined from 23 to 20 banks. These mergers have no effect on the Group's profit, as they are intra-group transactions.

The Savings Banks Group and other owners of Oy Samlink Ab sold their holdings on 1st of April 2019 to Cognizant Technology Solutions Finland Oy. Before the transaction, the share of The Savings Banks Group of Samlink Oy Ab was 42 percent and the company was consolidated as an associated company in the Group's consolidated financial statements. The share transaction had a positive impact of approximately 12 million Euros on Savings Banks Group's operating profit before tax for the financial year.

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

Description of the operational environment

Global economic outlook

The year 2019 was characterised by slower global economic growth and a high level of political risk. The global economy grew by just over 3.5 per cent in 2018 but, in 2019, the rate of growth was likely to be around 3 per cent. This is about half a percentage point under the long-term average. While the rate of growth was substantially reduced, a recession was avoided.

Uncertainty regarding the development of global economic growth increased already in early 2019 and the economic outlook worsened. Various indicators of future economic development turned negative: business confidence declined globally, particularly with respect to industry. In the service sector, the outlook deteriorated to a lesser extent. Consumers also became more cautious in many countries.

At the same time, the significant uncertainty around Brexit and the trade war contributed to a greater lack of confidence towards the economic outlook. In late summer, the trade war between the United States and China expanded and the increased uncertainty was reflected throughout the global economy. Private sector investments and world trade have been subdued.

After the summer, fears of a recession increased significantly and the yield curve, which is traditionally considered to be a recession indicator, momentarily entered negative territory. In Europe, the economic situation worsened in Germany, in particular, with negative growth recorded in the second quarter.

However, the economic outlook improved slightly towards the end of the year. The decline in confidence indicators levelled off and the yield curve turned back to positive. The feared recession did not materialise, although growth slowed down. At the time of writing this review, the situation in the global economy remains fragile, even if the statistics have shown signs of stabilisation.

As usual, central banks were active in stimulating the economy. Central banks in Europe and the United States lowered interest rates and ramped up their purchasing of securities in 2019. Stimulating monetary policy has also been enabled by the moderate level of inflation. China also engaged in various stimulus measures in its monetary policy and financial policy. The stimulus measures by central banks contributed to stock market returns being excellent in 2019 in spite of the slowing down of economic growth.

Interest rate environment

The level of interest rates in the Euro area has remained very low in 2019. Short rates took a strong dive during May-August but rebounded towards year end. Long rates continued to sink until August whereafter rebounding but not reaching the start of the year level. The situation is expected to remain pretty much unchanged due to the low inflation level in the Euro area.

The current flat interest rate curve is challenging for banking activities as the maturity transformation income is practically non-existent. The regulatory requirements (LCR. MREL) put additional burden on net interest income. However, the two-tiering system of the ECB deposit rate introduced in late October has partially reduced the burden caused by the negative rate. Also the favourable issuance conditions in the debt capital markets have compensated the effect of the flat yield curve and the negative ECB deposit rate.

Investment markets

The year 2019 was very positive from the perspective of the investment markets. Nearly all asset classes generated positive returns. A change in risk appetite among investors was seen in the early part of the year, following changes in central bank monetary policy. Expectations of continued stimulative monetary policy increased significantly. The uncertainty experienced during the year with respect to risks associated with the threat of trade war and the progress of the Brexit negotiations did not counteract the positive development. Long-term interest rates increased during the year in the United States and Europe. This led to higher returns for government bonds. In the low interest rate environment, the demand for corporate bonds increased among investors, contributing to an increase in the returns of corporate bonds. It was a very strong year in the stock markets. Growth was seen across all capital markets.

The Finnish economy

Mirroring the global economy, the predictive indicators of the Finnish economy weakened in 2019. Business confidence declined across all of the main industries, with the outlook in industry deteriorating particularly fast. Consumer confidence has also continued to fall, although the starting level that preceded the decline was record high.

In spite of the negative development of predictive indicators, the statistics reflecting the development of real economy in Finland remained surprisingly strong in 2019. Economic growth even accelerated in the autumn, with the Finnish economy seeing year-on-year growth of 2.2 per cent in the third quarter. However, the statistics may still be revised. Exports still developed quite favourably, and the weak climate characterising world trade did not reach Finland yet. Exports of services have remained strong, particularly in the case of ICT services. Investments, on the other hand, slowed down substantially compared to the previous year. Investment growth was low due not only to the slowing down of construction but also the low level of corporate investments in machinery and equipment.

Among households, the situation remained stable in 2019. The excellent development seen in the labour market in 2018 levelled off, but employment did not decline. The unemployment rate remained relatively stable at just over 6.5 per cent and the employment rate increased slightly. The development of wages was favourable and low inflation supported household purchasing power. The household saving rate turned positive after several years in negative territory.

The housing market in Finland

The level of housing transactions was a positive surprise in 2019. The trends in the early part of the year predicted a weaker year. The transaction volume for old apartments decreased by 1.4 per cent in January–April year-on-year. Starting from May, however, activity clearly picked up in the market for old apartments. This development was attributable to an increase in the supply of old apartments as well as demand and interest shifting from new apartments to old apartments. The increase in supply was due to the fact that several new residential developments were completed and people who bought apartments in them put their old homes on the market. The reasons for the decline in the demand for new apartments included a decrease in the number of residential investors, the price level and the prevailing public discussion on topics such as large housing company loans. In the market for detached houses, activity picked up after several slower years. This was due to the prices of detached houses having fallen over the past few years in several areas, while the prices of apartments have increased. Many people have found that buying a detached house is a more affordable solution to the need for more space. There was a growing divide between housing markets in different geographic regions. Uusimaa and other major cities, Turku in particular, saw continued growth, while many other regions, such as Kainuu, Kymenlaakso and Southern Savonia, moved in the opposite direction. This polarisation is significantly influenced by regional trends in population size and the size of the labour force. The number of transactions for old apartments grew by approximately 4% during the year.

The decrease in the demand for residential investments that began in the previous year continued throughout 2019. This is due to strong growth in the supply of rental apartments – and even excess supply – in several cities, as well as the favourable development of the value of other equity-based investment instruments. The increased supply of rental apartments curbed the rise in rents to a significant degree. In particular, purchases by housing funds have declined significantly. Many investors also decided to sell some of their residential investments, which was reflected in an increased supply of small apartments in several cities. There is even excess supply of these small apartments in several cities, which has contributed to them being longer on the market and the increase in prices at least coming to a halt.

New construction remained strong during the year in spite of declining demand. The number of issued building permits and startups of new sites were already on an obvious decline. This suggests growing caution among construction firms. This cautious attitude is attributable to the decreasing demand for residential investments and consumer demand, as well as the public debate regarding tightening terms and conditions for housing company loans. The low availability of plots in good locations is also a factor. Construction firms are now increasingly focusing on renovation. The number of transactions for new apartments carried out by real estate agents decreased by about 7 per cent. In 2019, we predicted that the transaction volume for newly constructed apartments would fall by 10–20 per cent.

The prices of old apartments and terraced houses increased by approximately 2.1 per cent in the Helsinki Metropolitan Area and approximately 1.5 per cent in the rest of Finland, which meant that the divergence in the increase in prices was less pronounced than in the previous year.

The Savings Banks Group's profit and balance sheet

Savings Banks Group's financial highlights

(EUR 1,000)	1-12/2019	1-12/2018	1-12/2017	1-12/2016	1-12/2015
Revenue	362,701	278,517	331,366	304,340	298,475
Net interest income	155,619	152,704	142,176	131,693	125,018
% of revenue	42.9 %	54.8 %	42.9 %	43.3 %	41.9 %
Profit before taxes	94,807	36,408	88,210	69,603	69,699
% of revenue	26,1 %	13.1 %	26.6 %	22.9 %	23.4 %
Total operating revenue	321,395	234,670	282,191	245,376	230,531
Total operating expenses (excluding depreciations)	-219,145	-197,718	-182,693	-158,060	-146,128
Cost to income ratio	68.2 %	84.3 %	64.7 %	64.4 %	63.4 %
Total assets	12,009,105	11,705,740	11,326,105	10,423,646	9,189,391
Total equity	1,118,391	1,028,796	1,017,520	953,402	880,694
Return on equity %	6.9 %	3.0 %	7.3 %	6.2 %	6.7 %
Return on assets %	0,6 %	0.3 %	0.7 %	0.6 %	0.7 %
Equity/assets ratio %	9.3 %	9.2 %	9.0 %	9.1 %	9.6 %
Solvency ratio %	19.1 %	18.2 %	19.1 %	19.5 %	18.8 %
Impairment losses on loans and other receivables	-8,379	-3,868	-13,266	-8,411	-6,127

Profit trends (comparison figures 1–12/2018)

Savings Banks Group's profit before tax stood at EUR 94.8 million (36.4). Profit for the financial year was EUR 74.1 million (30.6), of which the share of the owners of the Savings Banks Group was EUR 72.9 million (30.1).

The operating revenue of the Savings Banks Group increased to EUR 321.4 million (234.7). There was growth in net interest income, net fee and commission income, net investment and life insurance income and other operating income.

Net interest income grew by 1.9 % to EUR 155.6 million (152.7). The increase in net interest income can be attributed to increased lending and the low price of refinancing. The share of derivatives used for the management of the interest rate risks of net interest income was EUR 23.1 million (23.5), or 14.8 % of net interest income (15.4).

Net fee and commission income grew by 6.9 % to EUR 90.3 million (84.5). The most significant increase in net fee and commission income was seen in commissions on payment transactions.

Net investment income totalled EUR 36.7 million (-19.4), of which unrealised changes in the value of financial assets measured at fair value through profit or loss accounted for EUR 33.6 (-25.7) million.

Net life insurance income totalled EUR 15.4 million (13.2). Premiums written decreased and was EUR 101.9 million (132.1). Claims incurred increased significantly, amounting to EUR 95.9 million (73.9). Net investment income amounted to EUR 99.8 million (-49.3).

Other operating revenue was EUR 23.3 million (3.7). The sum includes a capital gain of EUR 12 million from the divestment of Samlink shares. Moreover, income relating to the sale of card credit receivables was recognised in other operating income during the period. Presentation of amounts contributed to the Deposit Guarantee Fund has been changed from the previous financial period and they are presented on a gross basis. The refund of amounts contributed to the former Deposit Guarantee Fund is presented in Other operating revenue whereas the yearly contribution to the new Deposit Guarantee Fund is presented in Other operating expenses. In the comparative period the contribution to the new Fund and refund of the contribution to the former Fund were presented on a net basis. The change in presentation increased the amount of Other operating income by EUR 6,5 million.

Operating expenses grew by 10.8 % to EUR 219.1 million (197.7). Personnel expenses increased by 4.4 % to EUR 87.2 million (83.6). The number of personnel as of 31 December 2019 was 1,391 (1,409).Other administrative expenses grew by 7.9 % to EUR 86.0 million (79.7). The Group's IT expenses increased in particular, due to investments in development. Other operating expenses increased by 19.9 % to EUR 25.6 million (EUR 21.3 million). EUR 6,5 million of the increase is due to the change in presentation of the contribution to the Deposit Guarantee Fund. Adoption of IFRS 16 standard decreased operating expenses by EUR 2.9 million during the financial year.

The Group's cost to income ratio was 68.2 % (84.3). The volatility of result caused by unrealised changes in value included in net investment income has a significant impact on the Group's cost to income ratio.

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets stood at EUR 20.3 million (13.1) for the financial year. EUR 2.8 million of the increase can be attributed to the amendment to the recognition principle due to IFRS 16 Leases. The rest of the increase in depreciation and amortisation is due to the increase in development expenses in recent years.

The Savings Banks Group's impairment on financial assets amounted to EUR 8.4 million (3.9), of which EUR 7.3 million (3.6) was recognised on loans and other receivables. Credit losses for the period totalled EUR 3.0 million (10.9). Expected credit losses on loans and other receivables represented 0.38 % (0.04) of the credit portfolio.

The Group's effective income tax rate was 21.8 % (15.8).

Balance sheet and funding (comparison figures 31 December 2018)

The balance sheet of the Savings Banks Group totalled EUR 12.0 billion at the end of 2019 (11.7), representing growth of 2.6 %. The Group's return on assets was 0.6 % (0.3).

Loans and advances to customers amounted to EUR 8.9 billion (8.5), up 4.9 % year-on-year. Loans and advances to credit institutions amounted to EUR 110.4 million (92.0). The Savings Banks Group's investment assets stood at EUR 1.1 billion (1.2). Life insurance assets amounted to EUR 952.0 million (841.7).

Liabilities to customers totalled EUR 6.8billion (6.9), showing a growth of 2.0 %. Liabilities to credit institutions were EUR 242.0 million (288.0). Debt securities issued stood at EUR 2.8 billion (2.5). Sp Mortgage Bank belonging to the Savings Banks Group successfully issued a covered bond of EUR 500 million in June. Life insurance liabilities amounted to EUR 892.6 million (801.8).

The Savings Banks Group's equity stood at EUR 1.1 billion (1.0), showing an increase of 8.6 %. The share of non-controlling interests of the Group's equity was EUR 28.6 million (24.9). The increase in the Group's equity is mainly attributable to the result for the financial year. The change in fair value recognised in other comprehensive income was EUR 18.1 million (-17.4) during the financial year. The impact of cash flow hedging on equity was EUR -0.3 million (0.3). The Group's return on equity was 6.9 % (3.0).

Capital adequacy and risk position

Capital adequacy (comparison figures 31 December 2018)

At the end of 2019, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 1 044,0 million (978,0), of which CET1 capital accounted for EUR 1 028,6 million (948,2). The growth in CET1 capital was due to the profit for the financial year. Savings Banks Amalgamation does not have additional Tier 1 capital. Tier 2 (T2) capital accounted for EUR 15.4 million (29.7), which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 5 476.0 million (5 385.6), i.e., they were 1.7 % higher than at the end of the previous year. The most significant change related to the increase in risk-weighted assets was the growth in the mortgage portfolio. The capital ratio of the Savings Banks Amalgamation was 19.1 % (18.2) and the CET1 capital ratio was 18.8 % (17.6).

The capital requirement of Savings Banks Amalgamation was EUR 659.7 million (EUR 593.9 million) that equals to 12.0 % of risk-weighted assets. The capital requirement is formed by:

- 8 % minimum capital requirements set by Capital Requirement Regulation (CRR),
- 2.5 % CET1 capital conservation buffer of according to the Act on Credit Institutions,
- 0.5 % CET1 pillar 2 requirement of set by the Financial Supervisory Authority and

- The country-specific countercyclical CET1 capital requirements of foreign exposures.

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

Board of Financial Supervisory Authority has set a discretionary additional capital requirement to Savings Banks Amalgamation according to the Act on Credit Institutions' chapter 11 6th article in their meeting on 4th of July 2019. Financial Supervisory Authority has determined the discretionary additional capital requirement as 1.25 % of total risk amount according to the Act on Credit Institutions' chapter 11 6th article's 2 moment's first paragraph's a) subparagraph. The requirement percentage is based on the methodology of SREP (Supervisory Review and Evaluation Process) for LSI banks from ECB, where the percentage of additional capital requirement is determined from the overall rating of FSA's assessment. Additional capital requirement is to be fulfilled by Common Equity Tier 1 (CET1) capital referred in EU's Capital Requirement Regulation (CRR) (EU 575/2013). The capital requirement ruling the Savings Banks Amalgamation is effective from 31st of March 2020 and is valid maximum 3 years until 31st of March 2023. The discretionary additional capital requirement is valid on 30 June 2019 as 0.5% of the total risk amount.

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

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

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

Capital adequacy's main items

Own funds (EUR 1,000)	31.12.2019	31.12.2018
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,066,603	986,758
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-37,970	-38,524
Common Equity Tier 1 (CET1) capital	**1,028,632**	**948,235**
Additional Tier 1 (AT1) capital before regulatory adjustments	0	0
Total regulatory adjustments to Tier 1 (AT1) capital	0	0
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**1,028,632**	**948,235**
Tier 2 (T2) capital before regulatory adjustments	15,352	29,736
Total regulatory adjustments to Tier 2 (T2) capital	0	0
Tier 2 (T2) capital	**15,352**	**29,736**
Total capital (TC = T1 + T2)	**1,043,985**	**977,970**
Risk weighted assets	**5,475,985**	**5,385,564**
of which: credit and counterparty risk	4,845,471	4,815,965
of which: credit valuation adjustment (CVA)	101,758	72,423
of which: market risk	28,824	38,332
of which: operational risk	499,932	458,844
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.8 %	17.6 %
Tier 1 (as a percentage of total risk exposure amount)	18.8 %	17.6 %
Total capital (as a percentage of total risk exposure amount)	19.1 %	18.2 %
Capital requirement		
Total capital	1,043,985	977,970
Capital requirement total*	659,725	593,940
of which: Pillar 2 additional capital requirement	27,380	26,928
Capital buffer	384,260	384,031

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

Leverage ratio

The Savings Banks Amalgamation's leverage ratio was 9,1 % (8,6 %). The leverage ration has been calculated according to the known regulation, and it describes the ratio of the Amalgamation's Tier 1 capital to total liability. The Savings Banks Amalgamation monitors excessive indebtedness as part of its capital adequacy management process.

Leverage ratio

(EUR 1,000)	31.12.2019	31.12.2018
Tier 1 capital	1,028,632	948,235
Total leverage ratio exposures	11,277,336	11,035,250
Leverage ratio	9.1 %	8.6 %

Resolution plan

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). In May 2017 the Stability Authority decided to set a minimum requirement of own funds and eligible liabilities (MREL) at amalgamation level and this requirement came in force starting December 31 2018. The requirement will not be directed at the member credit institutions. The MREL requirement is in nature a Pillar 2 -type continuously required minimum requirement. The Financial Stability Authority has decided that the minimum amount of eligible liabilities is the minimum requirement of own funds times two. Currently, the requirement is 20,8 % of the total risk of Amalgamation.

Risk position

The Savings Bank Group's risk position has remained at a good level. The capital adequacy of the Savings Banks' Amalgamation is very strong and non-performing assets are at a low level.

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

- Independent risk control
- Compliance function
- Internal audit

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

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

The Group's risks and risk management are described in more detail in the notes on risk management in the financial statements in Appendix 5.

Credit ratings

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

The Central Bank of Savings Banks Finland Plc is part of the Savings Banks Amalgamation. The role of the Central Bank of Savings Banks 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.

Supervisory Board, Board of Directors and auditors of the Savings Banks' Union Coop

The Savings Banks' Union Coop General Meeting elects the members of the Supervisory Board and their personal deputies for a term extending until the next ordinary general meeting. The Supervisory Board consists of 9-35 members.

During the year under review, the Supervisory Board had 22 members, each with a personal deputy. The chairman of the Supervisory Board was Eero Laesterä (chairman of the Board of Directors of Aito Säästöpankki) until 18 November 2019. The deputy chairmen were Juha Viljamaa (chairman of the Board of Directors of Helmi Säästöpankki) and Kirsi Hedman (chairman of the Board of Directors of Suomenniemen Säästöpankki) until 19 June 2019, when Arto Seppänen (chairman of the Board of Directors of Someron Säästöpankki) was elected to replace Hedman. The members of the Supervisory Board are primarily chairmen of the Boards of Directors of Savings Banks and their deputies are deputy chairmen of the Boards of Directors of Savings Banks.

As of the annual general meeting of Savings Banks' Union Coop in 2019, the following persons have been members of the Board of Directors:

Kalevi Hilli, chairman (Säästöpankki Optia)
Toivo Alarautalahti, deputy chairman (Huittisten Säästöpankki)
Pirkko Ahonen (Aito Säästöpankki Oy)
Jari Oivo (Myrskylän Säästöpankki) from 14 March 2019
Jaakko Ossa (Liedon Säästöpankki) from 14 March 2019
Ulf Sjöblom (Tammisaaren Säästöpankki) from 14 March 2019
Sanna Ahonen (independent of Savings Banks)
Marja-Leena Tuomola (independent of Savings Banks)
Pauli Aalto-Setälä (independent of Savings Banks)

The Board of Directors of Savings Banks' Union Coop constitutes a quorum when five members are present. The Board of Directors of Savings Banks' Union Coop will be elected at the annual general meeting of the Savings Banks' Union Coop cooperative on 14 March 2019.

The Managing Director of the Savings Banks' Union Coop has been Tomi Närhinen since 1 September 2017.

At the annual general meeting of the Savings Banks' Union Coop cooperative on 14 March 2019, KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor of Savings Banks' Union Coop. The chief auditor designated by the firm is Petri Kettunen, Authorised Public Accountant.

Non-financial reporting

The Savings Banks Group's business operations are based on low-risk retail banking. Our strategic goals are profitable growth, better capital adequacy than the industry as a whole and a financial standing that is healthy with respect to its capital buffers. Our competitive strategy is based on strong customer orientation, which is referred to as the Savings Bank Experience. Our strength lies in our range of services, which is close to the customer, cost-efficient and developed on the basis of customer needs

Right from the start, when the first Savings Bank was established in Finland in 1822, the concept of responsibility has played a part in the operation of the Group. In line with the Savings Bank ideal, the basic mission of Savings Banks has been to help the hardworking population of Finland to prosper and take better care of its finances.

Today, the responsible approach taken by Savings Banks is evident in all aspects of a bank's activities. It is reflected in their attitude towards customers, partners, operating sphere, the authorities, the environment and other stakeholders. The Savings Banks Group adheres to the principles of corporate governance, openness and the Group's ethical rules. The reporting on the Savings Banks Group's material responsibility themes is based on the materiality analysis, the purpose of which is to identify the key responsibility aspects of the Savings Banks Group and its stakeholders. In the autumn 2019, we updated our materiality analysis because we wanted to hear the expectations of our stakeholders regarding responsibility and to analyse the impact of responsibility aspects on business. The Savings Banks Group's materiality responsibility themes identified on the basis of the materiality analysis for 2019 were competent and satisfied personnel and corporate culture, responsible and sustainable lending, savings banks as a part of local communities, responsible and sustainable investment, responsibility in the principles and operating methods that guide business, responsibility in services, products and customer service as well as the Savings Banks Group's direct and indirect impacts on climate change and impact of climate change on the Savings Banks Group.

In addition to these material themes, the basic prerequisites of banking include financial responsibility and good governance, risk management and the customer's data protection and information security. These lay the foundation for the Savings Banks Group's material responsibility aspects and this foundation must be solid under all circumstances. The Savings Banks Group published its first GRI report on 20 June 2019. With regard to reporting principles, the Savings Banks Group refers to the GRI (Global Reporting Initiative) Standards guidelines (GRI-referenced).

The Savings Banks Group published its first GRI report on 20 June 2019.

In December 2019 the Board of the Savings Banks' Union Coop cooperative approved the sustainability policy of the Savings Banks Group. The policy defines the common principles for the sustainability of the Savings Banks' Group and the purpose of the policy is to form a common ground for the sustainability work of the Group. The Sustainability Policy is published in our web pages *www.saastopankki.fi*.

Promoting social well-being locally

The operations of the Savings Banks are based on helping customers: The Savings Banks help customers take care of their finances and prosper. When the customers prosper and their welfare increases, the Savings Banks prosper as well.

It is important to Savings Banks Group that towns, villages and communities in Finland retain their vitality and positive development trends. From the start, Savings Banks have directed a proportion of their profits to enhancing welfare within their operating areas. Rather than making major one-off donations, Savings Banks prefer to give their support to several good, local projects. In recent years, Savings Banks have called on their customers to help with their mission. For example, customers can propose Finnish recipients for donations for the annual Good Deeds campaign.

The 2019 Good Deeds responsibility campaign saw Savings Banks donate almost EUR 700,000 to various charities. The themes highlighted among the beneficiaries included children and young people, for example through sports clubs, other forms of recreational activity and helping volunteer workers. There were more than 600 beneficiaries across Finland.

The Savings Banks Research Foundation granted scholarships to university researchers and study projects totalling EUR 107,500. In addition, savings bank trusts that own Savings Banks structured as limited liability companies have made significant charitable contributions in various parts of the country.

Personnel

The Savings Banks Group adheres to the principles of corporate governance, openness and the Group's ethical rules. Employees have a responsibility to ensure that customers receive information in accordance with good business conduct. Employees must strive to ensure that customers are aware of the consequences of their financial decisions, including the potential risk of losses. Complaints by existing and former customers must be handled without delay and in a fair manner, in compliance with the applicable laws and regulations. The Savings Banks Group has prepared guidelines to support the complaint handling process. Communication to all target groups must be open, truthful and unbiased. Employees must focus on providing clear and transparent information to customers.

Savings Banks Group considers it important for every employee to understand the direction of the organisation's development and be aware of the importance of their own work for the achievement of our objectives. Each year, we conduct the Savings Banks Group's shared Our Savings Bank personnel survey, which is based on our Group strategy. Our vision is to be the most competent and trusted financial partner, and our personnel survey provides us with valuable information on how we can work together to build Säästöpankki's success and realise our vision.

The objective of the personnel survey is to monitor the execution of the strategic vision and give employees the opportunity to voice their views. The feedback is used in the development of operations both locally and at the Group level. The response rate of the personnel survey has been high from one year to the next. In 2019, 86.2 per cent of Savings Bank employees took the survey and the average score for the survey as a whole was good at 3.31 on a scale of 1–4. According to the results, Savings Bank employees are eager to recommend the Group as an employer and they are proud to be part of the organisation. The employees aim to actively guide and develop their work from the perspective of performance and they share best practices with their colleagues. One of the key strengths of the Savings Banks Group is customer orientation, which is evident in a strong desire to find comprehensive solutions for customers based on their needs.

We believe that every employee is an expert in their own work. That is why everyone must have the opportunity – and the responsibility – to continuously develop their competence. Our success in the transformation of our industry requires everyone to continuously maintain and develop their own expertise. The results of our personnel survey indicate that our employees have a desire to develop their work and invest time and effort in their professional development. Accordingly, during the year under review, we focused on the quality of the Savings Banks Group's broad offering of training programmes to enable the use of diverse learning methods.

The Group's training offering in 2019 was diverse in terms of content as well as methods. Nearly 200 training events took place during the year, with more than half of these taking the form of video or online training. The Group's training offering in 2019 was diverse in terms of content as well as methods. About 200 training events took place during the year, with more than half of these taking the form of video or online training. The themes highlighted in the training activities included leadership, sales, customer service and development expertise. Particular emphasis was placed on the development of managerial work, sales management and project competencies in the training activities.

At the end of 2019, Savings Banks Group had 1,391 employees (1,409). Converted into total resources, the average number of employees for the financial year was 1,193 (1,210). Women accounted for 77 % and men for 23 % of all employees, with the proportion of men decreased slightly. The average age of employees decreased slightly to 43 years (42). Overall turnover of personnel was 4.1 % (4.6).

Human Rights

The Savings Banks Group respects human rights and strives to prevent discrimination in all of the Group's operations. Our own operations do not involve significant direct risks or impacts related to human rights, but such impacts may be related to the supply chain or the activities of investment and financing targets. The social responsibility of target companies is taken into account in our investment activities. We exclude from our direct investments all companies that are in constant breach of international agreements related to human rights, decent work and the environment or infringe against good governance practices.

Environmental Responsibility

As a responsible Finnish banking group, the Savings Banks Group recognises its role in promoting environmental responsibility. While the Savings Banks Group's business does not have significant direct environmental impacts, we look after the environment through our day-to-day actions. We encourage our employees to use public transport, replace business trips and meetings with telephone and video conferences, and we prioritise eco-friendly alternatives in purchasing. The investments made by Sp-Fund Management Company can create indirect environmental impacts. Climate change related risks and environmental regulation may also have significant economic impacts, particularly in certain industries or with regard to geographic location. Sp-Fund Management Company aims to evaluate the impacts of sustainable development and climate change on investment targets. We continuously develop the reporting and monitoring of the environmental aspects of investments, including the carbon footprint and carbon risk. The Savings Bank Environment-Investment Fund started its operations on 31 December 2018. The fund invests its assets in companies and funds that promote sustainable use of the environment. Our investment activities take ESG (environmental, social, governance) issues into consideration, which includes an assessment of environmental impacts.

Financial Responsibility

Financial accountability refers to good profitability, capital adequacy and liquidity, good governance and responsible leadership. It is important to us that our customers and partners can rely on our judgment and sense of responsibility in all circumstances. Savings Banks bear responsibility for promoting the local community's financial wellbeing.

To maintain financial responsibility, the Savings Banks Group's entities have to ensure their capital adequacy and liquidity even in poor economic conditions. Savings Banks take responsibility for promoting financial welfare among the local population.

Savings Banks only provide their customers with loans and credit that they can manage without straining their finances.

Savings Banks Group also takes a responsible attitude towards the Finnish economy. Savings Banks pay all of their taxes directly to Finland. They do not participate in controversial tax planning practices. In 2019, we paid EUR 20.7 million in income taxes. Savings Banks Group employs financial and service industry professionals around the country. Through its presence on the various committees of Finance Finland, the Group contributes actively to the development of the Finnish banking sector.

Anti-corruption and Bribery

The Savings Banks Group has a Code of Conduct that all Savings Banks Group employees must adhere to, regardless of their role, position and place of work. The Code of Conduct is part of the orientation training of new employees. The content of the Code of Conduct is communicated regularly to the personnel and it includes general operating principles on how to deal with difficult situations. More detailed operating guidelines that supplement the Code of Conduct are available to all employees.

The Savings Banks Group does not condone corruption in any form, nor does the Group tolerate corruption in business activities or business partnerships. The member organisations of the Savings Banks Amalgamation cooperate with the authorities to prevent bribery and corruption.

Risk Management

The risk monitoring and compliance function also monitors non- financial risks. The compliance function is responsible for ensuring regulatory compliance. The realisation of non-financial risks could compromise the Savings Banks Group's reputation and result in potential damage to customer relationships and other stakeholder relations. Non-financial risks are addressed in the regular risk assessments conducted as part of business operations. Potential non-financial risks are also taken into account in the development of new products and services. Risk management is part of the Group's day-to-day activities, and employees receive regular training and instructions regarding risk management.

Information security

The Savings Banks Group strengthened its information security resources in 2019 by establishing a Group-wide information security function. The Savings Banks Group strengthened its information security resources in 2019 by establishing a Groupwide information security function. The focus areas in the development of information security are protecting the Group's business from information processing risks and cyber threats, ensuring appropriate information security and data protection for customers and stakeholders, satisfying compliance requirements and the practical implementation of Group-level policies, guidelines and standards. Information security is a central component of the Savings Banks Group's strategy and it is promoted by effective risk management and replicable solutions. The key regulatory frames of reference for legal compliance related to information security are the PSD2 and the GDPR, with the ISF Standard serving as the frame of reference.

Operations and profit by business segment

Banking services

The Banking segment includes the member Savings Banks of the Amalgamation, Central Bank of Savings Banks Finland Plc and Sp Mortgage Bank Plc. The Savings Banks provide retail banking services and Central Bank of Savings Banks Finland Plc acts as their central credit institution. Sp Mortgage Bank Plc engages in residential mortgage credit operations.

Customer experience

The Savings Bank Experience, or the customer experience created by Savings Banks, continued to be a strong competitive and differentiating factor in 2019. Customers expect banks to provide easy-to-use digital services as well as highly professional, human and personal face-to-face service. With this in mind, the goal of Savings Banks is to provide their customers with the best combination of digital and personal services as well as help the customers improve their financial wellbeing.

Based on surveys and measurements, Savings Banks were very successful in meeting this goal in 2019. Savings Banks achieved excellent results in the EPSI Rating survey. Satisfaction with Savings Banks among both private and corporate customers exceeded the industry average by a clear margin and Savings Banks were ranked second among the surveyed banks in both customer groups. Some 91 per cent of private customers and 90 per cent of corporate customers indicated they are satisfied or very satisfied with Savings Bank.

In 2019, Savings Bank was also very successful in the Finnish Customer Marketing Union's annual Customer Index survey. Savings Bank ranked 5th in customer loyalty and 10th in customer experience among approximately 60 companies from various industries.

Savings Banks continuously measure their success in customer negotiations. In 2019, the Net Promoter Score (NPS) for the negotiations was 79.9, representing a slight decrease from the previous year. Nevertheless, the customer promoter score remains at an excellent level.

Development of customer volume

At the end of 2019, Savings Banks had approximately 470,000 customers, which is about 2.5 per cent lower than in the previous year. Corporate customers and sole proprietors represented about 10 per cent of the total. The reason for the decrease in customer volume was the removal of passive customers as part of the preparations for the deployment of a new core banking system. Savings Banks acquired some 24,500 new customers in 2019. The number of new customers was about 15 per cent lower than in the previous year. The main reason was the slower growth of home loans compared to the record-high level seen in the previous year. In spite of this, the rate of growth of the Savings Banks' household loan portfolio exceeded the corresponding market growth rate by about 50 per cent in 2019.

The number of active customers who use Savings Banks regularly and the number of customers who use Savings Banks comprehensively for their banking services continued to grow in 2019. The number of comprehensive customer relationships increased by approximately 2 per cent among private customers and approximately 6 per cent among corporate customers.

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

Sp Mortgage Bank

Sp Mortgage Bank belongs to the Savings Banks Group and its objective is to strengthen the competitiveness of the Savings Banks Group through competitive funding and promote the strategy Savings Banks Group's through its own activity. Sp Mortgage Bank is responsible for Savings Banks Group's covered bond issuance.

Sp Mortgage Bank does not have its own customer business operations or a service network; instead, the Savings Banks that belong to the Savings Banks Amalgamation intermediate and sell residential mortgage loans for Sp Mortgage Bank. The Savings Banks also see to the local customer relationship management.

During the financial year, Sp Mortgage Bank's operations proceeded as planned and the loan portfolio reached at the end of the year the amount of EUR 1,957 Million.

Sp Mortgage Bank belonging to the Savings Banks Group successfully issued a covered bond of EUR 500 million in June. Covered bonds issued by Sp Mortgage Bank have a credit rating of AAA issued by S&P Global Ratings. S&P Global Ratings assigned a credit rating of AAA for the covered bonds issued by Sp Mortage Bank.

Central Bank of Savings Banks strengthened its role as the central credit institution

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. The central credit institution services includes payment services and account operator services, payment card issuing for the customers of the member Savings Banks of the Amalgamation, and services related to liquidity management, funding and asset and liability management.

In 2019, the focus of the business operations of the Central Bank of Savings Banks was on the Savings Banks' operational service and the continued development of services. SEPA Instant Credit Transfer was adopted in payment transactions, enabling real-time payments 24/7/365. In addition, account and payment interfaces were opened in 2019 in compliance with PSD2.

S&P Global Ratings (S&P) has given long-term counterparty credit rating 'A-' on SB Central Bank. Short-term investment grade is 'A-2'. The outlook is stable. Credit rating has not changed during the review period and is from April 2017.

Financial performance (comparative figures 1–12/2018)

Profit before tax of Banking operations stood at EUR 60.5 million (12.4). Net interest income was EUR 155.8 million (152.8), an increase of 2.0 % year-on-year. The growth was due to lower refinancing costs than during the comparison period as well as an increase in the volume of lending. Net fee and commission income totalled EUR 62.6 million (58.1), an increase of 7.7 %. Net investment income was EUR 39.7 million (-16.7). Other operating revenue was EUR 11.7 million (3.0).

Personnel expenses totalled EUR 64.0 million (63.4). The number of personnel in the Banking operations segment was 1,044 (1,098) at the end of the financial year. Other operating expenses and depreciation grew by 18.2 % to EUR 137.0 million (115.9).

The balance sheet for Banking operations totalled EUR 11.1 billion (10.9), representing growth of 1.8 %. Loans and advances to customers increased by 5.0 % to EUR 8.9 billion (8.5). Loans and advances to credit institutions amounted to EUR 112.7 million (91.7). Deposits received from credit institutions stood at EUR 242.0 million (228.0). Deposits received from customers was EUR 6.8 billion (6.9).

Asset Management Services

The Asset Management Services segment comprises Sp-Fund Management Company Ltd and Sb Life Insurance Ltd. Sp-Fund Management Company Ltd offers investment fund, asset management and investment advisory services and manages alternative investment funds. Sb Life Insurance Ltd provides life insurance policies.

Expectations regarding the growth outlook of the global economy and wide-ranging concerns about geopolitical issues and economic policy were strongly reflected in the operations of asset management services during the period. The most significant of the concerns were related to potential trade wars and Brexit. In spite of the challenging operational environment, the returns of investments for the year were excellent, particularly with respect to stocks.

Market share of investments funds increased to 2.6 per cent (2.0). Clear solution funds Maltti, Ryhti and Kantti, each suited to the diverse goals and risk profiles of customers, were launched in May. The funds were well received by the customer base. In November, Sp-Fund Management Company Ltd assumed control over seven funds of the POP Bank Group, with EUR 198 million in assets and 39,000 unit holders. Net subscriptions of Savings Bank funds totalled EUR 446 million during the financial year.

Uncertainty in the investment markets as well as discussion about tax amendments and the benefits of life insurance slowed down the accumulation of premium income from investment-linked insurance products, particularly in the first half of the year. The demand for risk life insurance remained strong, with premium income growing by 17.8 per cent. The most significant factor contributing to the profitability of life insurance operations was good investment income.

Assets under management increased to EUR 4.5 billion (3.6). The most significant growth was in funds under management, which increased to EUR 3.2 billion (2.4).

The name of the segment was changed from Asset Management and Life Insurance to Asset Management Services during the financial year.

Financial performance (comparison figures 1–12/2018)

Profit before tax for the Asset Management Services stood at EUR 24.7 million (21.5).

Net life insurance income was EUR 15.4 million (13.2), representing an increase of 17.2 % from the comparison period. Life insurance premium income amounted to EUR 101.9 million (132.1) Claims incurred totalled EUR 95.9 million (73.9), showing growth of 29.8 %. The net investment income of the Life insurance was EUR 99.8 million (-49.3).

Net fee and commission income was EUR 27.5 million (26.3). The amount of net fee and commission income rose due to increased customer assets and managed fund capital.

Operating expenses stood at EUR 17.9 million (17.6). Personnel expenses was EUR 7.2 million (7.2). Total other operating expenses and depreciation increased to EUR 10.7 million (10.4). The growth was mainly due to development investments. The number personnel in the segment at the end of the financial year was 78 (81).

Life insurance assets amounted to EUR 946.7 million (826.3). This represents an increase of 12.6 %. Unitlinked insurance savings at the end of the period totalled EUR 780.1 million (676.7).

The total assets of Asset Management Services grew by 12.6 % during the financial year amounting to EUR 961.1 million (840.7).

Other functions

Other functions include Savings Banks' Union Coop, Sp-Koti Ltd, Savings Banks Services Ltd and other companies consolidated within the Group. Other functions do not form a reportable segment.

The franchising company Sp-Koti Ltd, focusing on real estate agency business, grew clearly more than the housing market, while the turnover grew by 35 % and the trades grew by 20 %. In the housing market, the number of trades implemented by real estate agency businesses on second-hand housing decreased by approximately 3 %. The number of companies increased by one and the number of real estate agents by 38 compared to the previous year. In addition, the number of customer guidance to Savings Banks increased by 52 per cent.

Sp-Koti included 35 companies (34), one own unit. With regard to offices and sold apartments, the chain is the third largest real estate agency business in Finland.

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 completion of the financial statements..

Outlook for 2020

Outlook for the operational environment

Fears of a recession gave way in late 2019 when the predictive economic indicators pointed to stabilisation. The situation in the global economy remains uncertain, even if it appears probable that a recession will be avoided. Economic recovery is expected in 2020, but the rate of recovery is likely to be slow. The global economy is expected to grow at a rate of slightly over 3.0 per cent.

Political uncertainty will continue in 2020. The familiar themes of Brexit and the trade war will remain on the agenda, although the uncertainty surrounding them was slightly reduced in late 2019. The United Kingdom is likely to leave the EU at the end of January, but that only marks the beginning of difficult negotiations regarding the subsequent relationship. Partial harmony was achieved in the trade war between the United States and China in late 2019, but this does not mean that all of the tensions will be eliminated, and tariffs remain substantially higher than they were before the start of the trade war. It is also possible that the situation will come to a head again. The U.S. presidential election in late 2020 will also bring tensions to the political front.

Economic growth in the United States is expected to slow down slightly in 2020, to just under 2 per cent. President Trump's tax breaks still supported the economy in 2019, but their impact is starting to wane. The labour market situation in the United States is very strong, with employment at the lowest level seen in decades. Consumer confidence is also at a good level.

The outlook of the euro zone is weakened by the uncertain situation of the economically powerful Germany. France, on the other hand, has a more favourable outlook. Potential risks include trade policy disputes and possible tariffs on cars in trade with the U.S. The President of the European Central Bank changed in 2019, and the new President intends to review the central bank's monetary policy strategy in 2020. While major changes are unlikely, there may be some new directions in monetary policy.

Growth in China is expected to slow down to about 6 per cent in 2020. The reliability of the official growth figures is questionable, but many other factors also point towards slower growth. Nevertheless, a sharp decline is unlikely, as the centrally planned Chinese economy features a strong tendency to apply stimulus measures using monetary policy as well as financial policy if the economy slows down more than expected.

While the Finnish economy remained surprisingly immune to the weakness of the global economy in 2019, it is expected that Finland will see a post-cyclical slowing down of the economic growth in 2020. Exports and investments, in particular, suffer from the slowing down of global trade and the general uncertainty. At the same time, private consumption will hold strong, with several factors supporting households: the labour market situation will remain stable, the increase in wages outpaces inflation and the prevailing low interest rates continue to support households that are in debt.

Finnish economic growth is expected to be approximately 1.5 per cent in 2019 and subsequently slow down to about one per cent in 2020. This is a slower rate of growth than what has been seen in recent years, but it is close to Finland's potential growth.

The most significant risks for the Finnish economy arise from the international economy. If the expected recovery in the global economy fails to materialise, Finland's growth outlook will be affected. Uncertainty is also introduced into Finland's outlook by the unsettled labour market situation, which already reared its head in the form of the strikes seen in late 2019.

Business outlook

The low level of market interest rates will continue to pose challenges to financial performance in 2020. However, the low interest rates will not jeopardise the performance or capital adequacy of the Savings Banks Group. The Savings Banks Group is solvent and the Group's business is relatively low in risk.

In 2020, the business of the Savings Banks Group will focus on improving the competitiveness of the Group and implementing a customer-oriented strategy. Savings Banks are well placed to achieve this. In 2020, the Group aims to acquire more customers who will focus their banking services on a Savings Bank.

Further information:

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

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

Alternative Performance Measures

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

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

RELEASE OF FINANCIAL STATEMENTS

Savings Banks Group's income statement

(EUR 1,000)	NOTE	1-12/2019	1-12/2018
Interest income		186,650	185,928
Interest expense		-31,031	-33,224
Net interest income	4	**155,619**	**152,704**
Net fee and commission income	5	90,334	84,486
Net investment income	6	36,668	-19,352
Net life insurance income	7	15,426	13,163
Other operating revenue	8	23,349	3,669
Total operating revenue		**321,395**	**234,670**
Personnel expenses		-87,228	-83,561
Other operating expenses		-111,569	-101,029
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-20,347	-13,128
Total operating expenses		**-219,145**	**-197,718**
Net impairment loss on financial assets	9	-8,379	-3,868
Associate's share of profits		936	3,323
Profit before tax		**94,807**	**36,408**
Income tax expense		-20,675	-5,767
Profit		**74,132**	**30,640**
Profit attributable to:			
Equity holders of the Group		72,949	30,149
Non-controlling interests		1,183	492
Total		**74,132**	**30,640**

Savings Banks Group's statement of comprehensive income

(EUR 1,000)	1-12/2019	1-12/2018
Profit	**74,132**	**30,640**
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Remeasurements of defined benefit obligation	-908	998
Total	**-908**	**998**
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	18,123	-17,360
Cash flow hedges	-301	-315
Total	**17,823**	**-17,675**
Total comprehensive income	**91,048**	**13,963**
Attributable to:		
Equity holders of the Group	87,194	14,831
Non-controlling interests	3,854	-868
Total	**91,048**	**13,963**

Savings Banks Group's statement of financial position

(EUR 1,000)	NOTE	31.12.2019	31.12.2018
Assets			
Cash and cash equivalents		680,411	839,592
Loans and advances to credit institutions	11	110,450	91,988
Loans and advances to customers	11	8,906,493	8,487,276
Derivatives	12	68,697	51,134
Investment assets	13	1,140,782	1,216,256
Life insurance assets	14	951,962	841,700
Investments in associates and joint ventures		231	178
Property, plant and equipment		57,956	51,892
Intangible assets		37,462	35,268
Tax assets		3,873	13,019
Other assets		50,790	68,826
Non-current assets classified as held for sale	15		8,610
Total assets		**12,009,105**	**11,705,740**
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss		3,909	20,575
Liabilities to credit institutions	16	242,010	228,018
Liabilities to customers	16	6,804,436	6,940,818
Derivatives	12	3,835	1,981
Debt securities issued	17	2,755,856	2,488,147
Life insurance liabilities	18	892,648	801,796
Subordinated liabilities		51,104	82,288
Tax liabilities		59,955	52,446
Provisions and other liabilities		76,960	60,874
Total liabilities		**10,890,714**	**10,676,943**
Equity			
Basic capital		20,339	20,340
Primary capital		34,452	34,475
Reserves		232,906	215,291
Retained earnings		802,115	733,762
Total equity attributable to equity holders of the Group		**1,089,812**	**1,003,868**
Non-controlling interests		28,579	24,929
Total equity		**1,118,391**	**1,028,797**
Total liabilities and equity		**12,009,105**	**11,705,740**

Savings Banks Group's statement of cash flows

(EUR 1,000)	1-12/2019	1-12/2018
Cash flows from operating activities		
Profit	74,132	30,640
Adjustments for items without cash flow effect	152,196	71,554
Income taxes paid	-8,240	-19,808
Cash flows from operating activities before changes in assets and liabilities	**218,089**	**82,387**
Increase (-) or decrease (+) in operating assets	**-536,502**	**-724,800**
Financial assets at fair value through profit or loss	6,986	77,864
Loans and advances to credit institutions	8,825	-67,814
Loans and advances to customers	-423,090	-738,247
Investment assets, at fair value through other comprehensive income	-40,398	-19,146
Investment assets, at amortized cost	4,908	307
Life insurance assets	-110,482	-39,731
Other assets	16,749	61,966
Increase (-) or decrease (+) in operating liabilities	**234,463**	**394,801**
Liabilities to credit institutions	16,079	-440
Liabilities to customers	-139,393	525,187
Debt securities issued	262,414	-83,910
Life insurance liabilities	90,852	-5,894
Other liabilities	4,511	-40,142
Total cash flows from operating activities	**-83,950**	**-247,612**
Cash flows from investing activities		
Investments in investment property and in property, plant and equipment and intangible assets	-32,676	-23,571
Disposals of investment property and property, plant and equipment and intangible assets	69	2,908
Total cash flows from investing activities	**-32,607**	**-20,664**
Cash flows from financing activities		
Increase in subordinated liabilities		
Decrease in subordinated liabilities	-21,695	-17,997
Distribution of profits	-1,692	-2,594
Total cash flows from financing activities	**-23,388**	**-20,591**
Change in cash and cash equivalents	**-139,944**	**-288,866**
Cash and cash equivalents at the beginning of the period	**861,894**	**1,150,760**
Cash and cash equivalents at the end of the period	**721,950**	**861,894**

Cash and cash equivalents comprise the following items:

Cash	680,411	839,592
Receivables from central banks repayable on demand	41,539	22,301
Total cash and cash equivalents	**721,950**	**861,894**

Adjustments for items without cash flow effect

Impairment losses on financial assets	5,294	-6,799
Changes in fair value	253	10,982
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	18,539	15,142
Effect of associates on profit	-936	-3,323
Adjustment for life insurance operations	108,372	50,182
Gain or loss on sale of investment property and property, plant and equipment and intangible assets		-395
Income taxes	20,675	5,767
Total	**152,196**	**71,554**

Interest received	197,946	200,815
Interest paid	41,795	44,990
Dividends received	6,728	4,058

Savings Banks Group's statement of changes in equity

(EUR 1,000)	Basic capital	Share premium fund	Primary capital	Fair value reserve	Reserve for hedging instruments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1 January 2018	**20,338**	**60,354**	**34,475**	**12,998**	**2,867**	**69,694**	**85,435**	**265,823**	**702,967**	**989,128**	**26,402**	**1,015,530**
Comprehensive income												
Profit									30,149	30,149	492	30,640
Other comprehensive income				-15,856	-315			-16,171	998	-15,173	-1,360	-16,533
Total comprehensive income				**-15,856**	**-315**			**-16,171**	**31,146**	**14,975**	**-868**	**14,107**
Transactions with owners										0		
Distribution of profits									-2,551	-2,551		-2,551
Other changes						66	48	114	1,371	1,485	-605	880
Changes that did not result in loss of control									829	829		829
Total equity 31 December 2018	**20,338**	**60,354**	**34,475**	**-2,858**	**2,552**	**69,760**	**85,483**	**249,766**	**733,762**	**1,003,866**	**24,929**	**1,028,795**
Equity 1 January 2019	**20,338**	**60,354**	**34,475**	**-2,858**	**2,552**	**69,760**	**85,483**	**249,766**	**733,762**	**1,003,866**	**24,929**	**1,028,795**
Comprehensive income												
Profit									72,949	72,949	1,486	74,436
Other comprehensive income				16,990	-301			16,690	-908	15,782	2,367	18,149
Total comprehensive income				**16,990**	**-301**			**16,690**	**72,042**	**88,732**	**3,854**	**92,585**
Transactions with owners												
Distribution of profits									-1,861	-1,861		-1,861
Other changes	1		-23			456	470	904	-1,821	-918	-203	-1,121
Changes that did not result in loss of control									-7	-7		-7
Total equity 31 December 2019	**20,339**	**60,354**	**34,452**	**14,133**	**2,252**	**70,216**	**85,953**	**267,359**	**802,114**	**1,089,812**	**28,579**	**1,118,391**

BASIS OF PREPARATION

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

The Savings Banks Group is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and asso-ciated companies owned by Savings Banks. Together the Savings Banks form a banking group that operates locally as well as nation-ally. The basic objective of the Savings Banks is to promote thrift, the financial wellbeing 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 prod-ucts and lending. The service and product range offered is com-plemented with the other financial services and products provid-ed in cooperation with the service and product companies within the Savings Banks Group. The service and product companies within the Savings Banks 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.

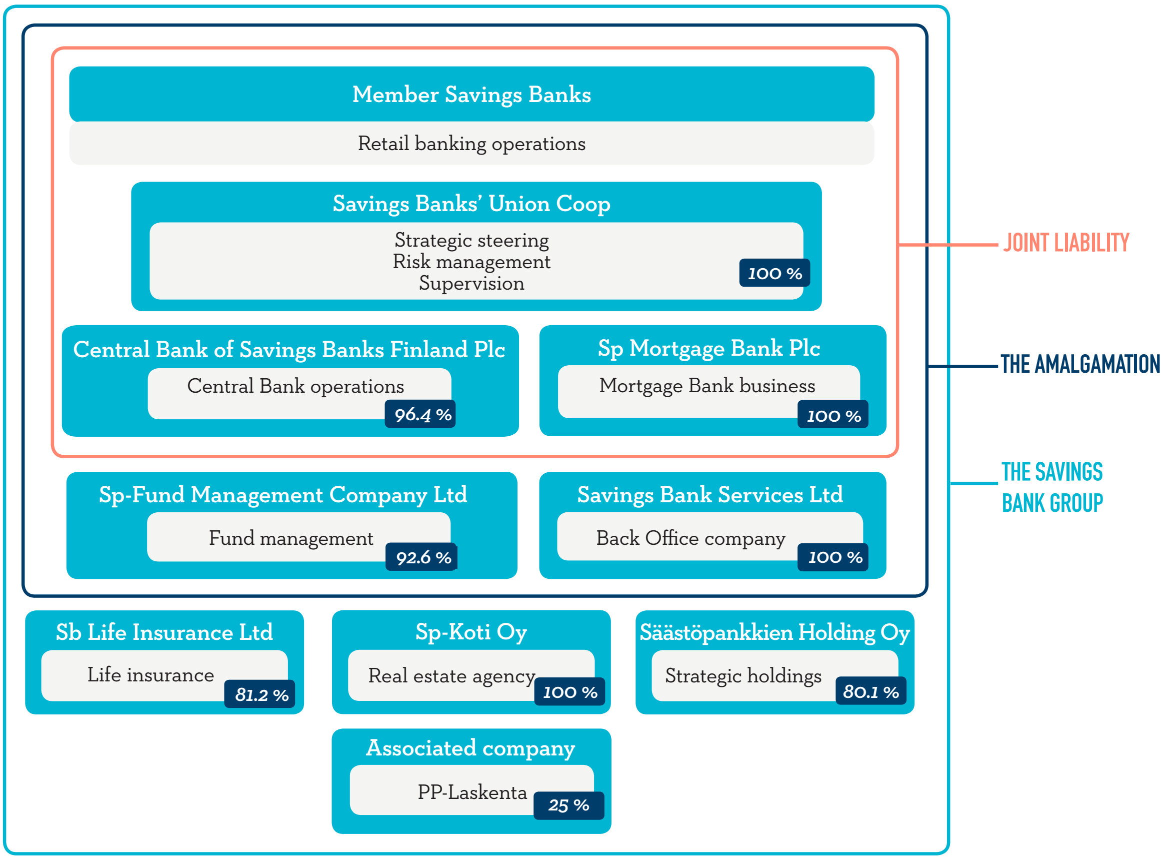
The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 20 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc as well as the companies within the consol-idation groups of the above-mentioned entities and Sp-Fund Manage-ment 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 Savings Banks Group.

During the financial year, three savings bank mergers were completed. Kiikoisten Säästöpankki merged with Huittisten Säästöpankki, Suomenniemen Säästöpankki merged with Säästöpankki Optia and Pyhärannan Säästöpankki merged with Kalannin Säästöpankki. Due to these mergers, the number of savings banks in the Savings Banks Amalgamation and in the Savings Banks Group declined from 23 to 20 banks. These mergers have no effect on the Savings Banks Group's profit, as they are intra-group transactions.

The Savings Banks Group and other owners of Oy Samlink Ab sold their holdings on 1st of April 2019 to Cognizant Technology Solutions Finland Oy. Before the transaction, the share of The Savings Banks Group of Samlink Oy Ab was 42 percent and the company was consolidated as an associated company in the Group's consolidated financial statements. The share transaction had a positive impact of approximately 12 million Euros on Savings Banks Group's operating profit before tax for the financial year.

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



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 Savings Banks 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 companies consolidated into the financial statements are listed in note the 43. The financial statements are prepared for the financial group formed by the Savings Banks Group. All figures presented hereafter are Savings Banks Group's figures unless otherwise stated.

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

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

The Board of directors of Savings Banks' Union Coop has in their meeting 13 February 2020 approved the Savings Banks Group's consolidated financial statements for the financial year ending 31 December 2019. The consolidated financial statements will be presented to the cooperative meeting of Savings Banks' Union Coop in the meeting scheduled for 11th March 2020.

NOTE 2: ACCOUNTING POLICIES

1. General

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

The release of financial statements of 1.1.-31.12.2019 has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard. Changes in accounting policies during the financial year are described below. The financial statement 2018 contain the full accounting principles.

The release of the financial statements have been audited.

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

The Savings Banks Group has adopted IFRS 16 Leasing standard as of January 1, 2019. Under IFRS 16 almost all of the lessee's leasing contracts are recognized in the balance sheet. On transition, the Savings Banks Group has applied a simplified approach and the comparison figures have not been adjust-ed. Implementation of IFRS 16 had no effect on the equity of the Savings Banks Group. The effects arising from the initial application of IFRS 16 are presented in the accounting policies under section "Adoption of new IFRS standards and interpretations".

Grouping of the items in the Financial Statements of the Savings Banks Group as of 2019 has been changed. The line item "Net trading income" presented in the consolidated income statement is aggre-gated with the line item "Net investment income" according to the nature of the item. Accordingly, the item "Financial assets at fair value through profit or loss" is aggregated with the line item "Investment assets". Additionally, "Primary capital" is disaggregated and presented as a separate line item within the liabilities and equity in the consolidated balance sheet of the Savings Banks Group. This change in the grouping of items did not have an effect on the profit or loss, equity or total balance value of the Savings Banks Group. The comparative information presented in the release of financial statements as of 2019 have been adjusted to reflect this new grouping.

2. Critical accounting estimate and judgements

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

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

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

3. New and amended standards applied in financial year ended

IFRS 16 Leases

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

Prior to the IFRS 16 transition on 1 January 2019, Savings Banks Group had no finance leases as referred to in IAS 17 and IFRIC 4. On transition, the remaining lease payments as of 1 January 2019 were discounted to present value and recognised as lease liabilities. The discount rate used was the incremental borrowing rate on transition date, which is the interest rate at which the Central Bank of Savings Banks provides financing to the group's savings banks. The value of all right-of-use assets was measured at an amount corresponding to the lease liability that amounted to eur 13 million on the date of transition. The IFRS 16 transition had no effect on profit or loss, nor did it affect retained earnings. At the end of financial period 31 December 2019, the amount of right of use assets was eur 11,6 million and the amount of lease liability eur 11,7 million.

Effects of application of IFRS 16 Leases standard (EUR 1,000)	31.12.2018	Transition to IFRS 16	1.1.2019	31.12.2019
Right-of-use assets, Machinery and equipment	-	493	493	326
Right-of-use assets, Buildings	-	12,534	12,534	11,312
Assets		**13,028**	**13,028**	**11,638**
Right-of-use liability, Machinery and equipment	-	493	493	324
Right-of-use liability, Buildings	-	12,534	12,534	11,334
Equity	-	-	-	-20
Liabilities and equity		**13,028**	**13,028**	**11,638**
Interest expense				-50
Depreciations				-2,836
Rental expenses				2,906
Profit (loss) for the period				**20**

Reconciliation of the carrying amounts of financial assets and liabilities on transition to IFRS 16: (EUR 1,000)	
Other lease liabilities in the financial statements as at 31.12.2018	**15,905**
Discounted value of other leases 1.1.2019	14,325
Relieves to IFRS 16	
Mitigation of IFRS 16 short term leases	-488
Assets of low value	-810
The value of right-of-use assets 1.1.2019	**13,028**
The value of right-of-use liability 1.1.2019	**13,028**

IFRIC 23 Tax uncertainties

The interpretation brings clarity to the accounting for income tax treatments that have yet to be ac-cepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The change in the standard did not have an impact on Savings Banks Group's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation. The change in the standard did not have an impact on Savings Banks Group's consolidated financial statements.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interest in an associate or joint venture that form part of the net investment in the associate or joint venture. The change in the standard did not have significant impact on Group's consolidated financial statements.

Amendments to IAS 19: Plan amendment, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity uses updated actuarial assumptions to determine its current service cost and net interest for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The change in the standard did not have an impact on Savings Banks Group's consolidated financial statements.

Annual Improvements to IFRSs (2015-2017 cycle)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to IFRS 3, IFRS 11, IAS 12 and IAS 23 standards. The changes in the standards did not have an impact on Savings Banks Group's consolidated financial statements.

Adoption of new and amended standards in future financial years

Savings Banks Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Savings Banks Group will adopt them as of the effective date or, if that date is not the first day of the financial year, from the beginning of the subsequent financial year.

* not yet endorsed for use by the European Union as of 31 December 2019.

Amendments to References to Conceptual Framework in IFRS Standards (effective for financial periods beginning on or after 1 January 2020)

The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Frame-work primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.

Amendments to IFRS 3: Definition of a Business (effective for financial periods beginning on or after 1 January 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

Amendments to IAS 1 and IAS 8: Definition of Material (effective for financial periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and include guidance for the definition. In addition, the explanations accompanying the definition have been improved. The change in the standard will have no significant impact on Savings Banks Group's consolidated financial statement.

IFRS 17 Insurance Contracts* (IASB's proposal effective for financial years beginning on or after 1 January 2022)

The new standard for insurance contracts will help investors and other parties to understand better insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4-standard In Savings Banks Group. The insurance contracts of Sb Life Insurance Ltd are subject to the provisions of IFRS 17. The Group has already begun to prepare for the changes introduced by the new standard.

PROFIT FOR THE PERIOD

NOTE 3: OPERATING SEGMENTS

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

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

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

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

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

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

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

Pricing between the segments is based on market prices.

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

Income statement 2019 (EUR 1,000)	Banking	Asset management services	Reportable segments in total
Net interest income	155,784	-138	155,646
Net fee and commission income	62,616	27,556	90,172
Net investment income	39,733	-386	39,347
Net life insurance income		15,426	15,426
Other operating revenue	11,675	73	11,749
Total operating revenue	**269,808**	**42,532**	**312,340**
Personnel expenses	-63,992	-7,208	-71,200
Other operating expenses and depreciations	-136,996	-10,670	-147,666
Total operating expenses	**-200,988**	**-17,878**	**-218,866**
Net impairment loss on financial assets	-8,364		-8,364
Profit before tax	**60,457**	**24,653**	**85,110**
Taxes	-15,447	-2,229	-17,676
Profit	**45,010**	**22,425**	**67,434**
Statement of financial position 2019			
Cash and cash equivalents	683,111		683,111
Loans and advances to credit institutions	112,675		112,675
Loans and advances to customers	8,908,907		8,908,907
Derivatives	68,697		68,697
Investment assets	1,173,523		1,173,523
Life insurance assets		936,577	936,577
Other assets	131,948	10,117	142,065
Total assets	**11,078,860**	**946,694**	**12,025,554**
Liabilities to credit institutions	242,010		242,010
Liabilities to customers	6,814,138		6,814,138
Derivatives	3,835		3,835
Debt securities issued	2,809,624		2,809,624
Life insurance liabilities	-6,199	903,793	897,595
Subordinated liabilities	51,020		51,020
Other liabilities	69,126	3,065	72,191
Total liabilities	**9,983,555**	**906,858**	**10,890,413**
Number of emplyees at the end of the period	**1,044**	**78**	**1,122**

Reconciliations: (EUR 1,000)	1-12/2019	1-12/2018
Revenue		
Total revenue for reportable segments	312,340	236,336
Non allocated revenue, other operations	9,055	-1,685
Total revenue of the Group	**321,395**	**234,651**
Profit		
Total profit or loss for reportable segments	67,434	29,739
Non allocated amounts	6,698	905
Total profit of the Group	**74,132**	**30,645**

	31.12.2019	31.12.2018
Assets		
Total assets for reportable segments	12,009,105	11,705,449
Non allocated assets, other operations		291
Total assets of the Group	**12,009,105**	**11,705,740**
Liabilities		
Total liabilities for reportable segments	10,890,413	10,663,580
Non allocated liabilities, other operations	301	13,364
Total liabilities of the Group	**10,890,714**	**10,676,943**

Income statement 2018 (EUR 1,000)	Banking	Asset Manangement Services	Reportable segments in total
Net interest income	152,787	-57	152,730
Net fee and commission income	58,141	26,317	84,458
Net investment income	-16,726	-398	-17,124
Net life insurance income		13,163	13,163
Other operating revenue	3,026	83	3,109
Total operating revenue	**197,228**	**39,108**	**236,336**
Personnel expenses	-63,475	-7,177	-70,652
Other operating expenses	-115,916	-10,417	-126,333
Total operating expenses	**-179,391**	**-17,594**	**-196,985**
Net impairment loss on financial assets	-3,885		-3,885
Profit before tax	**13,951**	**21,515**	**35,466**
Taxes	-1,586	-4,140	-5,727
Profit	**12,365**	**17,374**	**29,739**

Statement of financial position 2018			
Cash and cash equivalents	839,592		839,592
Loans and advances to credit institutions	91,684		91,684
Loans and advances to customers	8,488,196		8,488,196
Derivatives	51,134		51,134
Investment assets	1,233,552		1,233,552
Life insurance assets		826,338	826,338
Other assets	160,625	14,328	174,952
Total assets	**10,864,783**	**840,666**	**11,705,449**
Liabilities to credit institutions	228,018		228,018
Liabilities to customers	6,943,977		6,943,977
Derivatives	1,981		1,981
Debt securities issued	2,488,146		2,488,146
Life insurance liabilities		810,359	810,359
Subordinated liabilities	82,200		82,200
Other liabilities	97,966	10,932	108,898
Total liabilities	**9,842,289**	**821,291**	**10,663,580**
Number of emplyees at the end of the period	**1,098**	**81**	**1,179**

NOTE 4: NET INTEREST INCOME

(EUR 1,000)	1-12/2019	1-12/2018
Interest income		
Debts securities eligible for refinancing with Central Bank	3,973	4,408
Loans and advances to credit institutions	450	532
Loans and advances to customers	143,840	140,100
Debt securities	11,166	13,019
Derivative contracts		
Hedging derivatives	25,477	26,486
Other	1,744	1,382
Total	**186,650**	**185,928**
Interest expense		
Liabilities to credit institutions	-4,067	-3,762
Liabilities to customers	-10,954	-14,680
Derivative contracts		
Hedging derivatives	-2,380	-2,989
Debt securities issued	-11,658	-9,526
Subordinated liabilities	-1,532	-2,008
Other	-439	-260
Total	**-31,031**	**-33,224**
Net interest income	**155,619**	**152,704**

NOTE 5: NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-12/2019	1-12/2018
Fee and commission income		
Lending	21,268	22,068
Deposits	328	424
Payment transfers	37,994	33,031
Securities brokerage	1,172	993
Mutual fund brokerage	27,384	26,559
Asset management	501	491
Legal services	3,934	3,791
Custody fees	1,592	1,715
Insurance brokerage	1,612	1,809
Guarantees	1,918	1,504
Other	2,906	2,724
Total	**100,608**	**95,110**
Fee and commission expense		
Payment transfers	-3,398	-3,339
Securities	-858	-1,204
Mutual funds	-40	-184
Asset management	-772	-744
Other*	-5,206	-5,152
Total	**-10,274**	**-10,623**

*of which the most significant expenses are the shared ATM expenses amounting to EUR 2 441 (1,964) thousand.

Net fee and commission income	**90,334**	**84,486**

NOTE 6: NET INVESTMENT INCOME

(EUR 1,000)	1-12/2019	1-12/2018
Net income from financial assets at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	-75	-84
Transferred from fair value reserve during the financial year	1,622	3,888
Total Debt securities	**1,546**	**3,804**
Shares and participations		
Dividend income	82	11
Total shares and participations	**82**	**11**
Total	**1,629**	**3,816**

Net income from financial asset at fair value through profit or loss		
Debt securities		
Capital gains and losses	207	161
Fair value gains and losses	1,555	-3,004
Dividend income	3,329	4,047
Capital gains and losses	697	-1,411
Fair value gains and losses	32,026	-22,707
Net income from foreign exchange operations	38	62
Derivative contracts*)	65	-352
Net income from hedge accounting		
Change in hedging instruments' fair value	17,065	5,225
Change in hedged items' fair value	-17,478	-6,353
Total	**37,505**	**-24,332**

* Including EUR -60 thousand (-352) of the ineffective part of cash flow hedges.

Net income from investment property		
Rental and dividend income	6,768	6,997
Capital gains and losses	492	960
Other income from investment property	105	164
Maintenance charges and expenses	-5,151	-4,912
Depreciation and amortisation of investment property	-4,641	-2,014
Rental expenses arising from investment property	-40	-31
Total	**-2,467**	**1,164**

Net investment income	**36,668**	**-19,352**

NOTE 7: NET LIFE INSURANCE INCOME

(EUR 1,000)	1-12/2019	1-12/2018
Premiums written		
Group's share	102,604	132,405
Insurance premiums ceded to reinsurers	-666	-294
Net investment income*	99,818	-49,295
Claims incurred		
Claims paid	-94,687	-70,796
Change in provision for unpaid claims	-1,243	-3,093
Change in insurance contract liabilities		
Change in life insurance provision	-88,306	6,062
Other	-2,095	-1,826
Net life insurance income	**15,426**	**13,163**

*Net investment income (EUR 1,000)	1-12/2019	1-12/2018
Net interest	95	120
Dividend income	472	476
Realised capital gains and losses	26	824
Unrealised gains and losses	97,400	-49,304
Other investments	343	290
Net income from foreign exchange operation	-11	184
Net income from unit-linked customer assets	1,493	-1,886
Total	**99,818**	**-49,295**

NOTE 8: OTHER OPERATING REVENUE

Other operating revenue (EUR 1,000)	1-12/2019	1-12/2018
Rental and dividend income from owner-occupied property	132	190
Capital gains from owner-occupied property	397	329
Other income from Banking	21,909	2,387
Other	912	762
Other operating revenue	**23,349**	**3,669**

*The most significant items include capital gain from the sale of Samlink Oy's shares amounting to EUR 11,9 and the refund of the contribution to the old Deposit Guarantee Fund amounting to EUR 6.474 thousand.

The Savings Banks Group and other owners of Oy Samlink Ab sold their holdings on 1st of April 2019 to Cognizant Technology Solutions Finland Oy. Before the transaction, the share of The Savings Banks Group of Samlink Oy Ab was 42 percent and the company was consolidated as an associated company in the Group's consolidated financial statements.

Presentation of amounts contributed to the Deposit Guarantee Fund has been changed from the previous financial period and they are presented on a gross basis. The refund of amounts contributed to the former Deposit Guarantee Fund is presented in Other operating revenue whereas the yearly contribution to the new Deposit Guarantee Fund is presented in Other operating expenses.

NOTE 9: IMPAIRMENT LOSS ON FINANCIAL ASSETS

Financial asset within the scope of accounting for expected credit losses by impairment stage	Stage 1	Stage 2	Stage 3	Total
Financial asset 31 December 2019				
Investment asset	676,749	1,500	210	678,459
Loans and advances	8,073,404	694,343	207,469	8,975,216
Off-balance sheet items	557,131	20,782	1,640	579,553
Total	**9,307,283**	**715,125**	**209,320**	**10,233,228**

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

Expected Credit Losses (ECL), Loans and advances and off-balance sheet	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2019	**5,127**	**5,241**	**23,993**	**34,361**
New assets originated or purchased	1,825	425	876	3,127
Assets derecognised or repaid (excluding write offs)	-537	-734	-2,018	-3,288
Transfers from Stage 1 to Stage 2	-252	1,141		889
Transfers from Stage 1 to Stage 3	-269		2,314	2,044
Transfers from Stage 2 to Stage 1	390	-1,791		-1,401
Transfers from Stage 2 to Stage 3		-811	2,810	1,999
Transfers from Stage 3 to Stage 1	1		-51	-50
Transfers from Stage 3 to Stage 2		184	-363	-179
Amounts written off			-547	-547
Net change in ECL				3 141
Expected Credit Losses 31 December 2019	**6,286**	**3,655**	**27 561**	**37 502**

Expected Credit Losses (ECL), Investment asset	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2019	**1,686**			**1,686**
New assets originated or purchased	427	534	3	964
Assets derecognised or repaid (excluding write offs)	-378		-63	-441
Transfers from Stage 1 to Stage 2	-5	666		661
Transfers from Stage 1 to Stage 3	-9		167	158
Transfers from Stage 2 to Stage 1				
Transfers from Stage 2 to Stage 3				
Transfers from Stage 3 to Stage 1				
Transfers from Stage 3 to Stage 2				
Amounts written off				
Net change in ECL				1,341
Expected Credit Losses 31 December 2019	**1,721**	**1,200**	**107**	**3,028**
Total Expected Credit Losses 31 December 2019				**40 529**
Total change in Expected Credit Losses 1 January 2019 -31 December 2019				**4 482**

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

Expected Credit Losses (ECL), Investment asset	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2018	**1,614**			**1,614**
New assets originated or purchased	705			705
Assets derecognised or repaid (excluding write offs)	-633			-633
Net change in ECL				72
Expected Credit Losses 31 December 2018	**1,686**			**1,686**
Total Expected Credit Losses 31 December 2018				**36,047**
Total change in Expected Credit Losses 1 January 2018 -31 December 2018				**-7,809**

ASSETS

NOTE 10: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

31.12.2018 (EUR 1,000)	Amortized costs	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and cash equivalents	91,988					91,988
Loans and advances to credit institutions	8,486,767		508			8,487,276
Loans and advances to customers			51,134			51,134
Derivatives			51,134			
hedging derivatives			3,566			
cash flow			47,568			
fair value	42,146	585,889	545,497		42,723	1,216,256
Investment assets		162,787	677,373		1,540	841,700
Life insurance assets*	8,636,881	748,677	2,098,125		44,263	11,527,946
Total assets	**8,636,881**	**748,677**	**2,098,125**	**0**	**44,263**	**11,527,946**

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

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

NOTE 11: LOANS AND ADVANCES

31.12.2019 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	110,450		110 450
Loans and other receivables			
Total	**110,450**		**110 450**
Loans and advances to customers			
By products			
Used overdrafts	83,164	-1,967	85,131
Loans	8,255,218	-31,602	8,286,820
Interest subsidized housing loans	433,325	-1,239	434,564
Loans granted from government funds			236
Credit cards	97,424	-1,293	98,717
Guarantees	749	-185	934
Other receivables			91
Total	**8,870,207**	**-36,286**	**8,906,493**
Loans and advances total	**8,980,657**	**-36,286**	**9,016,943**

31.12.2018 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	91,765		91,765
Loans and other receivables	223		223
Total	**91,988**		**91,988**
Loans and advances to customers			
By products			
Used overdrafts	84,456	-1,897	82,559
Syndicated loans and repo -agreements			
Loans	7,953,810	-28,707	7,925,103
Interest subsidized housing loans	385,273	-1,564	383,709
Loans granted from government funds			1,618
Debt securities			
Credit cards			93,790
Guarantees			411
Other receivables			86
Total	**8,423,539**	**-32,168**	**8,487,276**
Loans and advances total	**8,515,527**	**-32,168**	**8,579,264**

NOTE 12: DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

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

In the financial year 2019, EUR -376 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective part of cash flow hedging totalled EUR 60 thousand in the financial year 2019 and was recognised in Net investment income.

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

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	1,013	2,515		3,529
Total	**1,013**	**2,515**		**3,529**

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

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

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

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

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

NOTE 13: INVESTMENT ASSETS

(EUR 1,000)	31.12.2019	31.12.2018
At fair value through other comprehensive income		
Debt securities	639,344	585,541
Shares and participations	1,116	14,555
Total	**640,460**	**600,096**
Fair value through profit or loss		
Debt securities	41,405	44,482
Shares and participations	381,804	486,808
Total	**423,209**	**531,290**
Amortised cost investments		
Debt securities	37,451	42,452
Expected Credit Losses	-412	-306
Total	**37,040**	**42,146**
Investment property	40,073	42,723
Investment assets	**1,140,782**	**1,216,256**

Breakdown by issuer of quotation

31.12.2019 (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	218,983	361,054	35,640	615,676
From others	398,873	35,881		434,754
Other				
From others	22,603	26,275	1,400	50,279
Total	**640,460**	**423,209**	**37,040**	**1,100,709**
31.12.2018				
Quoted				
From public entities	137,239	565	39,452	177,255
From others	448,302	503,548	2,000	953,850
Other				
From others	14,555	27,178	1,000	42,734
Total	**600,096**	**531,290**	**42,452**	**1,173,839**

NOTE 14: LIFE INSURANCE ASSETS

(EUR 1,000)	31.12.2019	31.12.2018
Investments covering for unit-linked policies		
At fair value through profit or loss		
Investment funds	449,394	378,111
Asset management portfolio	132,781	124,186
Other unit-linked covering assets	197,876	174,385
Investments covering for unit-linked policies total	**780,052**	**676,681**
Other investments		
At fair value through profit or loss		
Debt securities	3,878	692
Total	**3,878**	**692**
Available-for-sale financial assets		
Debt securities	2,075	2,673
Shares and participations	164,501	160,114
Total	**166,576**	**162,787**
Other investments total	**170,454**	**163,479**
Total life insurance investments	**950,506**	**840,160**
Other assets		
Other receivables	723	1,290
Accrued income	733	250
Total	**1,456**	**1,540**
Total life insurance assets	**951,962**	**841,700**

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

(EUR 1,000)	31.12.2019			31.12.2018		
	Debt securities	Shares and participations	Derivatives	Debt securities	Shares and participations	Derivatives
Quoted	3,878	780,052		692	676,681	
From others	3,878	780,052		692	676,681	
Total	**3,878**	**780,052**	**0**	**692**	**676,681**	**0**

NOTE 15: NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

The Savings Banks Group and other owners of Oy Samlink Ab sold their holdings on 1st of April 2019 to Cognizant Technology Solutions Finland Oy. Before the transaction, the share of The Savings Banks Group of Samlink Oy Ab was 42 percent and the company was consolidated as an associated company in the Group's consolidated financial statements. The share transaction had a positive impact of approximately 12 million Euros on Savings Banks Group's operating profit for the reporting period.

Assets (EUR 1,000)	31.12.2019	31.12.2018
Associates	0,00	8,610
Total	**0,00**	**8,610**

The non-current assets classified as held for sale do not have any liabilities as of 31 December 2019.

LIABILITIES

NOTE 16: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31.12.2019	31.12.2018
Liabilities to credit institutions		
Liabilities to central banks	38,000	38,000
Liabilities to credit institutions	204,010	190,018
Total	**242,010**	**228,018**
Liabilities to customers		
Deposits	6,751,132	6,896,963
Other financial liabilities	3,764	6,149
Change in the fair value of deposits	49,539	37,706
Total	**6,804,436**	**6,940,818**
Liabilities to credit institutions and customers	**7,046,446**	**7,168,836**

NOTE 17: DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2019	31.12.2018
Measured at amortised cost		
Bonds	1,246,791	1,244,130
Covered bonds	1,495,065	997,099
Other		
Certificates of deposit	14,000	246,918
Debt securities issued	**2,755,856**	**2,488,147**
Of which		
Variable interest rate	430,364	533 877
Fixed interest rate	2,325,493	1 954 270
Total	**2,755,856**	**2,488,147**

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

NOTE 18: LIFE INSURANCE LIABILITIES

(EUR 1,000)	31.12.2019	31.12.2018
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	109,619	121,420
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	534,454	472,591
Liabilities for unit-linked investment contracts	244,540	204,712
Reserve arising from liability adequacy test		
Other liabilities		
Accrued expenses and deferred income	2,571	2,397
Other	1,464	677
Life insurance liabilities	**892,648**	**801,796**

Liabilities related to insurance policies are measured in compliance with the Finnish Accounting Standards. The measurement principles are described in more detail in the accounting policies of the official financial statements (note 2). In liability adequacy test, the adequacy of liabilities for insurance policies is compared to the liabilities derived from the internal model. The adequacy test is described in more detail in the accounting policies.

OTHER NOTES

NOTE 19: FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

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

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

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

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

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

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

Transfers between levels

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

In the period 1-12/2019, there were no transfers between levels 1 and 2.

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

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

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

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

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3

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

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

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2019	**5,347**	**10,899**	**16,245**
Purchases	1,160	4,193	5,352
Sales	-921	-4,322	-5,244
Matured during the period	-1,129		-1,129
Changes in value recognised in income statement, realised	-740	26	-714
Changes in value recognised in comprehensive income statement	-50	762	712
Carrying amount 31 December 2019	2,283		2,283
Transfers between levels 1 and 2	-2,028		-2,028
Carrying amount 31.12.2019	**3,920**	**11,557**	**15,222**

Changes in fair value recognized in the income statement during the year are included in the item "Net investment income" and "Net life insurance income". Unrealized changes in fair value are booked in the equity fair value reserve through the other comprehensive income.

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)		
31.12.2019	Carrying amount	Effect of hypothetical changes' on profit, negative
At fair value through profit or loss		
Banking	18,167	-400
Asset Management Services	2,124	-961
Total	**20,291**	**-1,361**
Fair value through other comprehensive income		
Banking, liabilities	3,920	-43
Asset Management Services	11,557	-1,101
Total	**15,477**	**-1,144**
Total	**35,768**	**-2,505**

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

31.12.2018	Carrying amount	Fair value by hierarchy level			
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	1,328,512		20,531	1,349,043	**1,349,043**
Asset Management Services*	676,681		692	677,373	**677,373**
Other operations**	20,575			20,575	**20,575**
Derivative contracts					
Banking		51,133		51,134	**51,134**
Fair value through other comprehensive income					
Banking	571,252	10,475	5,347	587,074	**587,074**
Asset Management Services*	151,888		10,899	162,787	**162,787**
Measured at amortised cost					
Investment assets, banking	42,704		1,000	43,704	43,704
Loans and advances, banking		10,400,870		10,400,870	10,400,870
Total financial assets	**2,791,613**	**10,462,478**	**38,468**	**13,292,560**	**13,292,560**
Investment property					
Banking			69,567	69,567	
Total financial assets			69,567	69,567	

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

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

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

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3

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

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

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

Changes in fair value recognized in the income statement during the year are included in the item "Net investment income" and "Net life insurance income". Unrealized changes in fair value are booked in the equity fair value reserve through the other comprehensive income.

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

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

NOTE 20: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

31.12.2018				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				51,133		23,302	27,831
Total				**51,133**		**23,302**	**27,831**
Liabilities							
Derivative contracts				1 981		289	1,693
Total				**1 981**		**289**	**1,693**

NOTE 21: COLLATERALS

(EUR 1,000)	31.12.2019	31.12.2018
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Pledges		28,392
Loans *	1,881,238	1,782,148
Other	13,558	27,047
Collateral given	**1,894,796**	**1,837,587**
Collateral received		
Real estate collateral	8,463,899	8,090,076
Securities	35,911	34,996
Other	105,291	87,919
Guarantees received	54,736	61,318
Collateral received	**8,659,838**	**8,274,309**

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

NOTE 22: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2019	31.12.2018
Guarantees	70,833	61,382
Commitments related to short-term trade transactions	639,816	628,996
Other	4,178	7,035
Off balance-sheet commitments	**714,827**	**697,414**

NOTE 23: 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.

31.12.2019 (EUR 1,000) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	6,673	5,056	6,668	18,397
Total assets	**6,673**	**5,056**	**6,668**	**18,397**
Liabilities				
Deposits	3,240	8,585	2,218	14,042
Other liabilities	1,073	838		1,911
Total liabilities	**4,312**	**9,423**	**2,218**	**15,953**
Off balance-sheet commitments				
Loan commitments	396	330	1,267	1,993
Total	**396**	**330**	**1,267**	**1,993**
Revenue and expense				
Interest income	49	71	61	181
Interest expense	-6	-3		-9
Insurance premiums	80			80
Fee and commission income	4	9	7	20
Other expenses			-4,763	-4,763
Total	**127**	**78**	**-4,695**	**-4,491**

* Including key management personnel and their close family members

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

(EUR 1,000) Key management personnel compensation	2019	2018
Short-term employee benefits	4,252	3,874
Post-employment benefits	50	
Other long-term benefits	404	368
Total	**4,705**	**4,242**

2018 (EUR 1,000) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	7,291	505	6,781	14,577
Total assets	**7,291**	**505**	**6,781**	**14,577**
Liabilities				
Deposits	3,097	3,105	2,461	8,662
Other liabilities	1,894	529	4,496	6,920
Total liabilities	**4,991**	**3,634**	**6,957**	**15,582**
Off balance-sheet commitments				
Loan commitments	650	2,313	2,553	5,516
Total	**650**	**2,313**	**2,553**	**5,516**
Revenue and expense				
Interest income	40	64	122	226
Interest expense	-5	-1		-6
Insurance premiums	133	206		338
Fee and commission income	6	56	58	121
Other expenses			-45,095	-45,095
Total	**174**	**325**	**-44,914**	**-44,415**

* Including key management personnel and their close family members

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

(EUR 1,000) Key management personnel compensation	1-12/2018	1-12/2017
Short-term employee benefits	3,874	2,671
Other long-term benefits	368	316
Total	**4,242**	**2,987**

Savings Bank