SAVINGS BANKS GROUP'S

BOARD OF DIRECTORS' REPORT AND CONSOLIDATED IFRS FINANCIAL STATEMENTS 31 DECEMBER 2019

Savings Bank

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BOARD OF DIRECTORS REPORT OF THE SAVINGS BANKS GROUP 1.1.–31.12.2019

REVIEW BY THE MANAGING DIRECTOR

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
CEO, Savings Banks' Union Coop

The Savings Banks Group and the Savings Banks Amalgamation

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

The member 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 Solu-tions 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 start-ups 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 Income statement and Financial position

Savings Banks Group's ratios and key figures

(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 million (-25,7).

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 0.42 % (0.39) 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 6.8 billion (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), showing an increase of 11,3 %.

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 leverage ratio of the Savings Banks Amalgamation was 9.1 % (8.6%). The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Amalgamation's Tier 1 capital to total liabilities. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

Leverage ratio (1,000 euros)	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 20,79 % 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 with in 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 compre hensive internal control in all the member companies within the Amalgamation and the Group:

- Independent risk control
- Compliance function
- Internal audit

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

All significant loans or commitments including significant risk are made in accordance with collegial decision-making processes, and there is a lending authority limit structure in place. Internal operational guidelines are used to steer busi ness 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 man agement is executed in daily supervision. The execution of de cisions 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, inter est 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 Supervi-sory 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 increased 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 Manage-ment Company aims to evaluate the impacts of sustainable development and climate change on investment targets. We continu-ously 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. Sav-ings 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 situa-tions. 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 (25.0). 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 eco-nomic 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 con-tributing 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 key ratios and figures:	
Revenue	Interest income, fee income, net investment income, net life insurance income, other operating revenue
Total operating revenue	Net interest income, net fee and commission income, net investment income, net life insurance income, other operating revenue
Total operating expenses	Personnel expenses, other operating expenses,depreciation and impairment charges on tangible and intangible assets
Cost to income ratio	$\frac{\text{Total operating expenses}}{\text{Total operating revenue}}$
Return on equity %	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}}$
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 financial statements, nor have any changes occurred in the financial key ratios and figures.

SAVINGS BANKS GROUP'S CONSOLIDATED IFRS 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	**7**	**155,619**	**152,704**
Net fee and commission income	8	90,334	84,486
Net trading income	9	36,668	-19,352
Net investment income	10	15,426	13,163
Other operating revenue	12	23,349	3,669
Total operating revenue		**321,395**	**234,670**
Personnel expenses	13	-87,228	-83,561
Other operating expenses	14	-111,569	-101,029
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	15	-20,347	-13,128
Total operating expenses		**-219,145**	**-197,718**
Net impairment loss on financial assets	16	-8,379	-3,868
Associate's share of profits	24	936	3,323
Profit before tax		**94,807**	**36,408**
Income tax expense	17	-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	19	680,411	839,592
Loans and advances to credit institutions	20	110,450	91,988
Loans and advances to customers	20	8,906,493	8,487,276
Derivatives	21	68,697	51,134
Investment assets	22	1,140,782	1,216,256
Life insurance assets	23	951,962	841,700
Investments in associates and joint ventures	24	231	178
Property, plant and equipment	25	57,956	51,892
Intangible assets	26	37,462	35,268
Tax assets	27	3,873	13,019
Other assets	28	50,790	68,826
Non-current assets classified as held for sale	29		8,610
Total assets		**12,009,105**	**11,705,740**
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss	30	3,909	20,575
Liabilities to credit institutions	31	242,010	228,018
Liabilities to customers	31	6,804,436	6,940,818
Derivatives	21	3,835	1,981
Debt securities issued	32	2,755,856	2,488,147
Life insurance liabilities	33	892,648	801,796
Subordinated liabilities	34	51,104	82,288
Tax liabilities	27	59,955	52,446
Provisions and other liabilities	35	76,960	60,874
Total liabilities		**10,890,714**	**10,676,943**
Equity			
Basic capital	36	20,339	20,340
Primary capital		34,452	34,475
Reserves	36	232,906	215,291
Retained earnings	36	802,115	733,762
Total equity attributable to equity holders of the Group	**36**	**1,089,812**	**1,003,868**
Non-controlling interests	36	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
Adjustments 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	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												
Distribution of profits									-2,551	-2,551		-2,551
Other changes						66	48	114	1,371	1,485	-605	880
Change that didn't 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
Change that didn't 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 Sav-ings 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 nationally. The basic objective of the Savings Banks is to promote thrift, the financial well-being of their customers and to op-erate near their customers. The Savings Banks operate in the retail banking business, especially in daily banking, saving and in-vestment products and lending. The service and product range offered is complemented with the other financial services and products provided in cooperation with the service and product companies within the Group. The service and product compa-nies within the Group support and promote the operations of the Group via producing centralised services or having responsi-bility for certain products. The most significant service and product companies of the Group are Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd, Savings Bank Services Ltd and Sp-Koti Oy.

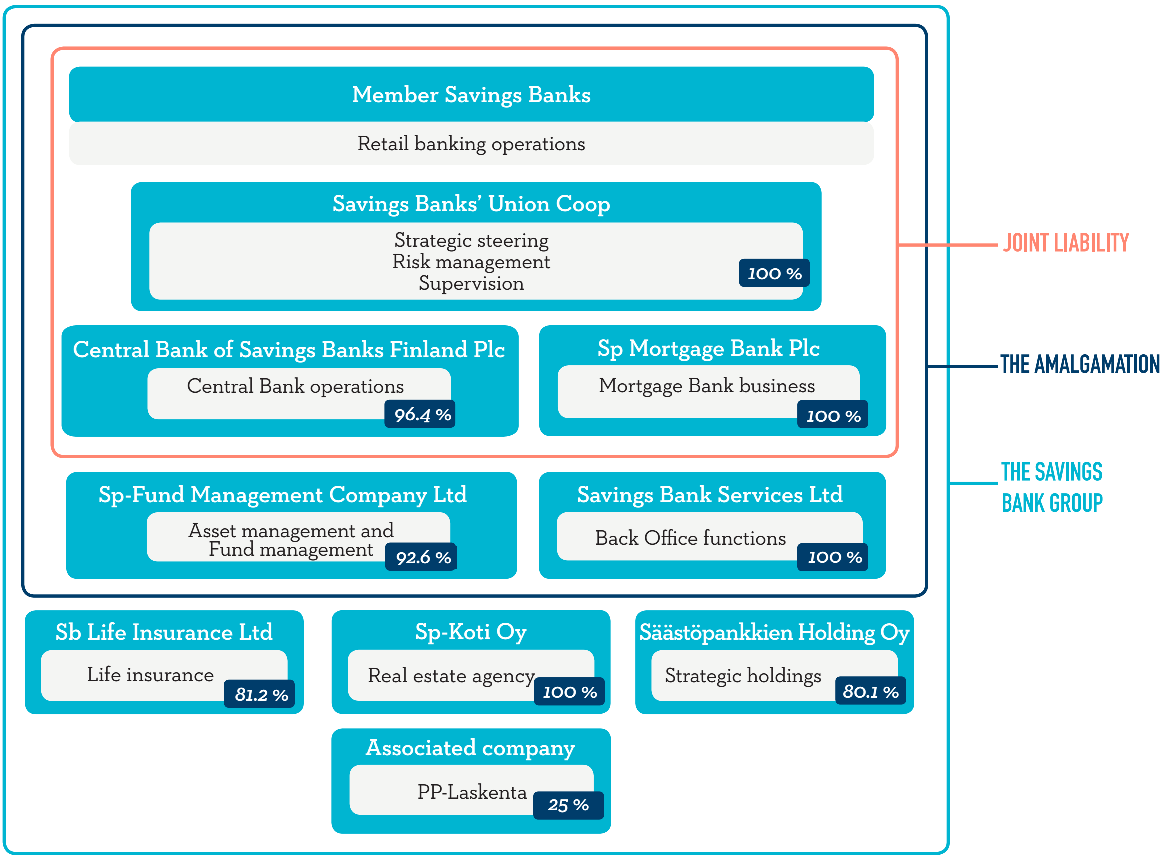
The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises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

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

During the 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 reporting period.

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



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

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

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

The Board of directors of Savings Banks' Union Coop has in their meeting 13 February 2020 approved the 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' Un-ion Coop in the meeting scheduled for 11 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 Standards (IFRS) and IFRIC interpretations as adopted by the European Union .

In accordance with the principles of the Act on the Amalgamation of Deposit Banks as well as IAS 8 concerning accounting policies, changes in accounting estimates and errors, the Board of Directors of the Savings Banks' Union Coop confirms any accounting policy for which no guidance is available in the international financial reporting standards. The consolidation principles of the Savings Banks Group are discussed in more detail in the section "2 Consolidation principles".

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

Transactions denominated in foreign currencies outside the euro zone are translated into euros using the exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies outstanding on the closing date are translated into euros using the European Central Bank's average rate on the closing date. The exchange rate differences arising from valuation are recognised as Net income from foreign exchange operations under Net investment income in the income statement. Exchange rate differences arising from life insurance operations are included in Net life insurance income.

The Savings Banks Group's consolidated financial statements are prepared under the historical cost convention, except for financial assets and liabilities measured at fair value through other comprehensive income, financial assets or liabilities measured at fair value through profit or loss, and the hedged items of fair value hedges (hedged risk), which are measured at fair value.

Assets and liabilities are offset with the net amount presented in the consolidated balance sheet only if the Savings Banks Group holds a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis or to realize an asset and settle the liability simultaneously.

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 adjusted. 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 "12 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 aggregated 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 financial statements as of 2019 have been adjusted to reflect this new grouping.

2. Consolidation principles

Technical parent company

According to the Act on the Amalgamation of Deposit Banks, the Savings Banks Group's consolidated financial statements must be prepared as a combination of the financial statements or group financial statements of the Savings Banks' Union Coop and its member credit institutions. In addition, the consolidated financial statements include organisations over which the above-mentioned organisations exercise joint control.

The Savings Banks' Union Coop and its member Savings Banks do not exercise control over each other. It is therefore not possible to define a parent company for the Savings Banks Group. The so-called technical parent company referred to in the Savings Banks Group's IFRS financial statements is formed out of 19 member Savings Banks, which jointly exercise control over the other organisations consolidated in the Savings Banks Group's IFRS financial statements. The technical parent company's mutual ownership, intercompany business transactions, mutual receivables and liabilities, internal distribution of profits and intercompany margins are eliminated.

The Savings Banks Group's basic capital consists of the Savings Banks' basic capital and share capital of the Savings Banks in the form of a limited liability company, excluding Nooa Savings Bank Ltd, which is a subsidiary jointly owned by the other member Savings Banks. According to Section 11 of the Savings Banks Act the basic capital is not repaid. The share capital is treated in accordance with the Act of Limited Liability Companies.

Subsidiaries

The Savings Banks Group's subsidiaries are entities over which the Savings Banks Group has control.

The Savings Banks Group has control in an entity if the Savings Banks Group has power over the entity and is exposed to the entity's variable returns or is entitled to its variable returns and the Savings Banks Group is able to use its power over the entity and thereby affect the amount of returns received.

The Savings Banks Group's mutual ownership is eliminated using the acquisition method. An asset used in the acquisition, the assets of the acquired entity and the assumed liabilities are valued at fair value at the time of acquisition. The part of the acquisition cost that exceeds the Savings Banks Group's share of the fair value of the net assets of the acquired company at the time of acquisition is recognised as goodwill. Negative goodwill is fully recognised as income at the time of acquisition.

All intra-group transactions, receivables, liabilities and unrealised profits as well as internal distribution of profits are eliminated when preparing the Savings Banks Group's consolidated financial statements.

The subsidiaries, associated companies and joint ventures acquired during the financial year are consolidated starting on the date when the Savings Banks Group acquired control or joint control. Similarly, the subsidiaries, associated companies and joint ventures which are sold during the financial year are consolidated until the control or significant influence ceases.

The Savings Banks Group has applied the exemption for first-time adopters in IFRS 1 First-time Adoption of International Financial Reporting Standards not to apply IFRS 3 Business Combinations retrospectively to prior business combinations that occurred before 1 January 2013. Subsidiaries acquired since 1 January 2013 are treated in accordance with IFRS 3 Business Combinations.

Structured entities

Structured entities are entities which have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are characterised by having a narrow and well-defined objective and often insufficient equity to finance their activities without sub-ordinated financial support.

Within the Savings Banks Group, the entities identified as structured entities consist of mutual funds which are managed by Sp-Fund Management Company Ltd, a member of the Savings Banks Group, and over which the Savings Banks Group is considered to have the type of control as specified above. The funds to be consolidated on the basis of control are those in which the Savings Banks Group entities' ownership exceeds 40% as a longer-term investment and which Sp-Fund Management Company Ltd manages. Fund holdings are reviewed twice a year, on 30 June and 31 December. The ownership of companies within the Savings Banks Group must exceed 40% before the fund is consolidated in the Savings Banks Group's financial statements.

For the consolidated funds, the share of investors other than the Savings Banks Group is presented in the Savings Banks Group's financial statements as a liability. Upon initial recognition, the liability has been classified to be measured at fair value through profit or loss.

Associated companies and joint arrangements

Associated companies are entities over which the Savings Banks Group has significant influence but no control. Significant influence emerges, in principle, when the Savings Banks Group holds 20–50 per cent of the company's voting rights or when the Savings Banks Group otherwise has significant influence over the company.

An associated company is consolidated in the Savings Banks Group's financial statements using the equity method, meaning that the associated company's income statement and balance sheet are not included in the Savings Banks Group's income statement and balance sheet in full. The consolidated balance sheet presents the Savings Banks Group's share of the associated company's equity in the item Investments in associates, whereas the Savings Banks Group's share of the associated company's profits is presented in the consolidated income statement under Associate's share of profits. Under the equity method, on initial recognition the investment is recognised at cost, and the carrying amount is increased or decreased to recognise the Savings banks Group's share of the profit or loss of the investee after the date of acquisition.

Joint arrangements are arrangements where two or more parties have joint control. Joint arrangements are divided into joint ventures and joint operations. Joint ventures are consolidated in the Savings Banks Group's financial statements using the equity method. Mutual real estate companies are consolidated in the Savings Banks Group's financial statements as joint operations, and their assets and liabilities are consolidated in the Savings Banks Group's balance sheet in accordance with the share of ownership.

Non-controlling interests

Non-controlling interests in equity, profit for the year and other items within the comprehensive income statement are presented separately in the Savings Banks Group's income statement, comprehensive income statement and balance sheet. Loss for the year is also allocated to non-controlling interests even if doing so would result in a negative non-controlling interest.

The share of non-controlling interests in subsidiaries is valued either at fair value or at proportionate share of the subsidiary's net assets. The valuation principle is defined separately for each acquisition.

3. Financial instruments

3.1. Financial assets and liabilities

The Savings BanksGroup applies IFRS 9 Financial instruments standard on recognition and measurement of financial instruments. For fair value hedges of the interest rate risk of a portfolio of financial assets or financial liabilities ("macro hedges") the Savings Banks Group continues application of IAS 39 Financial instruments: recognition and measurement standard.

Classification in the Savings Banks Group's balance sheet is independent of the IFRS 9 categories. Different valuation bases can therefore be applied to assets and liabilities recognised on the same line in the balance sheet. The classification of financial assets and liabilities recognised in the balance sheet into valuation categories is set out in Note 18.

For assets associated with the life insurance business, the Savings Banks Group applies a transition provision permitted by IFRS 4, under which the transition to IFRS 9 can take place on 1 January 2022, coinciding with the mandatory application of IFRS 17. Accordingly, in the 2019 financial statements, the financial assets of the life insurance business are subject to profit or loss impacts pursuant to IAS 39.

3.1.1. Initial recognition

A financial asset or liability is recognised on the balance sheet when the Savings Banks Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of a financial asset is recognised and derecognised using trade date accounting.

Financial assets and liabilities are initially measured at fair value, and in the case of a financial asset or a financial liability not measured at fair value through profit or loss, plus or minus the transaction costs that are directly attributable to the acquisition or issue of that financial asset or financial liability. On subsequent periods transaction costs are recognised through profit or loss as an interest income or expense as a part of the effective interest rate of the financial asset or liability.

3.1.2 Classification of financial assets and the determination of classification

For the purposes of subsequent measurement, the Savings Banks Group classifies financial assets into following measurement categories:

- Amortised cost
- Fair value through other comprehensive income (fair value reserve)
- Fair value through profit or loss.

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

BUSINESS MODEL ASSESSMENT

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

ASSESSMENT OF CASH FLOW CHARACTERISTICS

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

AMORTISED COST

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

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

MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

Debt instruments are measured at fair value and changes in value, less deferred taxes and expected credit loss, are recognised in the statement of comprehensive income.

For debt instruments, the gain or loss on the transfer or sale of a financial asset measured at fair value through other comprehensive income is recognised through profit or loss.

On initial recognition the Savings Banks Group may make an irrevocable choice to present the subsequent fair value changes of an equity instrument in other comprehensive income. This election is made on instrument basis. These financial assets are measured at fair value and the change in value is recognised, less deferred taxes, in the statement of other comprehensive income. Dividends from equity instruments are recognised in profit or loss when the right to receive payment is established. Capital repayments from the share are recognised in the statement of other comprehensive income. For equity instruments, unrealised gains or losses accrued in the fair value reserve are not transferred to be recognised through profit or loss at any stage. Instead, the recognition is made through retained earnings within equity.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Also classified as measured at fair value through profit or loss are investments in debt instruments for which the cash flow criteria cannot be considered to be met. The Savings Banks Group assesses the cash flow criteria separately for each instrument to determine whether the contractual terms of the item give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS

Investments in debt instruments are reclassified only when the Savings Banks Group changes the business models applied in the management of financial assets. The Savings Banks Group expects such changes to be highly infrequent and it has not reclassified any financial assets during the financial period 2019.

CHANGES IN CONTRACTUAL CASH FLOWS

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9, the Savings Banks Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss.

3.1.3. Derecognition of financial assets and liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred and the transfer qualifies for derecognition.

A financial asset is considered to be transferred if, and only if, the Savings Banks Group either:

- transfers the contractual rights to receive the cash flows of the financial asset; or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions stipulated by IFRS 9. A contract can be considered to meet the conditions for such an arrangement if:
  - There is no obligation to pay amounts to the eventual recipients unless equivalent amounts are collected from the original asset

- The selling or pledging of the original asset is prohibited by the terms of the transfer contract

When transferring a financial asset, the transfer qualifies for derecognition only if:

- The significant risks and rewards of ownership are transferred; or
- The significant risks and rewards of ownership are not transferred or they have been retained, but control has been transferred.

A financial liability is derecognised from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

3.2. Determining fair value

Fair value is the price that would be attained if the asset was sold or would be paid to transfer the liability from one market party to another in a standard business transaction taking place on a valuation day.

A financial instrument's fair value is based on price quotations obtained from active markets or, if active markets do not exist, on the company's own valuation methods. A market is considered active if price quotations are readily and regularly available and if they reflect real and regularly occurring arm's-length market transactions. Current bid price is used as the quoted market price of financial assets. If the market has a well-established valuation technique for a financial instrument for which there is no direct market price available, the fair value is based on the commonly used valuation model and on the market quotations of the input data used in the model.

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

The fair values of financial instruments are divided into three hierarchical levels, depending on how the fair value is defined:

- Fair values quoted in active markets for identical assets or liabilities (Level 1)
- Fair values that are determined using other input data than the quoted prices at Level 1, which are observable for the assets or liabilities either directly (e.g. prices) or indirectly (e.g. derived from prices) (Level 2)
- Fair values that are determined using input data which is essentially not based on observable market data (Level 3).

The fair value hierarchy level into which an item measured at fair value is fully classified is determined by the input data which is at the lowest level and is significant in respect of the whole item. The significance of input data is evaluated considering the whole item which is valued at fair value.

3.3. Impairment

The Savings Banks Group determines impairments for financial assets based on an expected credit loss model. The loss allowance for expected credit loss is measured and recognised for financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, debt instruments, loan receivables, guarantees and loan commitments.

For the purposes of measurement of the expected credit loss, the Savings Banks Group assigns financial assets into stages 1, 2 or 3 depending on the change in the credit risk of the financial asset between the date of the initial recognition and reporting date. Stage 1 includes financial assets for which the credit risk has not increased significantly, stage 2 includes financial assets for which the credit risk has increased significantly and stage 3 includes financial assets that are considered to be imapaired.

The Savings Banks Group calculates expected credit loss (ECL) for low-risk credit using the Loss Rate model (ECL = Loss Rate * EAD). Low-risk counterparties include the public sector, financial institutions and state-guaranteed student loans. For other credit and securities, the calculation is based on the PD/LGD model (ECL = PD * LGD * EAD).

Loss Rate model components:

- Loss rate %, i.e. the calculation is based on percentage figures established for each counterparty. Determined by the counterparty's sector code.
- EAD, short for Exposure at Default, is the annual average. Due to upcoming instalments, it is usually lower than the contract balance.

The components used in the PD/LGD model

- PD % (Probability of Default) is based on external and internal credit ratings.
- LGD % (Loss Given Default) takes into consideration the contract's available collateral at the time of default.
- EAD (Exposure At Default). The amount takes into consideration instalments and advance repayments, calculated for the term of the contract and for the year, for products for which early repayment has been modelled. Off-balance sheet items are considered to remain fixed until the end of the lifecycle of the contract. The undrawn commitment component is included in the calculation in full.

Stage 1: 12-month ECL

- If credit risk has not significantly increased since the loan was originated, the expected credit loss is calculated based on 12-month expected credit loss. The expected credit loss is provided for the credit losses that result from default events that are possible within the next 12 months.

Stage 2: Lifetime ECL – not credit-impaired

- If credit risk has significantly increased since the loan was originated, impairment on exposures that are not credit-impaired is calculated based on lifetime expected credit loss. The expected credit loss is provided for the credit losses expected over the remaining life of the exposure.

Stage 3: Lifetime ECL – credit impaired

- If the contract is assessed as credit-impaired, impairment is recognised based on lifetime expected credit loss. Stage 3 consists of exposures involving one or more occurred negative events impacting cash flows.

Incurred loss is deducted from the balance sheet and the proportion of the exposure recognised as a loss is no longer included in the calculation of expected losses.

The assessment of potential changes in credit risk takes into consideration all relevant and available information that can be obtained without unreasonable effort and cost. The contract's credit risk has increased significantly (the contract migrates from stage 1 to stage 2) when the contract involves payments that are more than 30 days past due (backstop), the contract's PD increases either by 10 basis points or 2.5 times its original value, or the contract is subject to forbearance (performing). The contract migrates to stage 3 when the contract is defaulted, i.e. when the contract or customer has a credit rating of D, the contract is more than 90 days past due, the contract is subject to (non-performing) forbearance or a forbearance concession has been made for the contract at the time of application. ECL calculation applies the same definition of default that the Savings Banks Group applies in its lending rules. A contract may migrate to a better stage if the credit risk has improved significantly and it meets the criteria for the stage in question for a period of time specified by the Group (known as the probation period).

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

Scenarios used in calculation

Four different scenarios are calculated for each contract using economic scenarios established by the Savings Banks Group's Chief Economist. The scenarios are the base scenario (50%), a mild downside (8%), a more extreme downside (2%) and an optimistic scenario (40%). The loss allowance recongised is calculated by applying weights to the various scenarios.

Allowance for expected credit losses is recognised as an impairment under Impairment losses on financial assets in the income statement. Final credit losses are also recognised under the same item in the income statement.

3.4. Hedging and derivatives

For hedging relationships under general hedge accounting (cash flow hedging and fair value hedging), the Savings Banks Group has adopted IFRS 9, while for macro hedging, the Savings Banks Group will continue to apply IAS 39 hedge accounting until the macro hedging supplement enters into effect.

Derivatives are measured at fair value starting from the contract date in the financial statements, and fair value changes are recognised in the balance sheet and income statement or in other comprehensive income.

The Savings Banks Group hedges its interest rate risk from changes in fair value and cash flow and applies hedge accounting to hedging relationships. Fixed-rate borrowing is hedged for fair value changes, whereas the future interest of variable rate lending is hedged for cash flow changes. The Group applies the EU-approved "carve-out" model of IAS 39 hedge accounting, which makes it possible for derivatives or their components to be combined and used as hedging instruments. In the Group, the EU-approved carve-out model is applied to fixed-rate borrowing. The aim is to stabilise net interest income and to neutralise potential change in the fair value of assets and liabilities.

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

The effective portion of the fair value changes of derivatives hedging cash flow is recognised in the reserve for hedging instruments in equity, adjusted with deferred taxes. The ineffective portion of fair value change is recognised directly in the income statement under Net investment income. The cumulative change in the reserve for hedging instruments resulting from valuation of a hedging derivative is recognised in profit or loss as an adjustment of the hedged cash flow simultaneously with recognising the hedged cash flow. In the case of cash flow hedging, the hedged item is not measured at fair value.

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

4. Leases

Savings Banks Group as the lessee

At the inception of a contract and when the terms and conditions of a contract are changed, Savings Banks Group assesses whether the contract contains a lease. This assessment is carried out for each lease component within the contract. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control if:

- The contract pertains to an identified and separate asset.
- The contract conveys the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use.
- The contract conveys the right to direct the use and purpose of the identified asset.

At the commencement date of a lease, the lease liability is equal to the present value of the lease payments payable during the lease term. The leases consist of fixed payments and variable lease payments, which depend on an index. Lease liabilities are subsequently measured at amortised cost using the effective interest method. Lease liabilities are reassessed if the future considerations change as a result of a contractual change in an index or price, if the lease term or amount of residual value guarantee changes, or if a purchase option is exercised. If the amount of the lease liability is adjusted due to the reassessment, a corresponding adjustment is made to the right-of-use asset.

The lease term begins at the commencement date specified in the lease. The end of the lease term is determined by the lease. The lease term is reassessed if an option to extend the lease is exercised differently than initially assessed. If the lease term is indefinite, the end of the lease term is considered to be the earliest possible date of termination specified in the lease. The exception to this rule is properties for which the location determines the end of the lease term. In Savings Banks Group's strategy, for leased properties located in growth centres or significant regional centres, the lease term is three years. For properties in other locations, the lease term is one year. The discount rate used is the interest rate at which the Central Bank of Savings Banks provides financing to Savings Banks Group banks.

The value of a right-of-use asset at the commencement date is the lease liability plus payments made to the lessor at or before the commencement date, estimated restoration costs at the end of the lease term and initial direct costs. A right-of-use asset is subsequently measured at cost and amortised according to the lease term.

Savings Banks Group recognises leases as a right-of-use asset under "Right-of-use assets" and a liability under "Provisions and other liabilities".

Savings Banks Group's leases can be categorised by the following underlying assets:

- Machinery and equipment
- Real estate and apartments
- Information systems
- Others

Short-term leases and assets of low value

IFRS 16 contains two exemptions concerning recognition and measurement. Savings Banks Group has decided that leases with a term of 12 months or less and assets whose value does not exceed EUR 5,000 are not recognised as right-of-use assets and no lease liabilities are recognised for them. Savings Banks Group expenses such short-term leases and assets of low value during the lease term.

Savings Banks Group as the lessor

Savings Banks Group does not act as a lessor in finance leases. Items leased under an operating lease are presented under "Investment assets" (investment properties) or "Intangible assets" and the lease income is recognised on a straight line basis over the lease term under the income statement item "Net income from investment assets" or "Other operating revenue". In Savings Banks Group, assets leased under an operating lease include residential properties owned by a bank.

Basis of preparation effective for the period 1.1.-31.12.2018 (comparative period)

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for the agreed period for a payment or a series of payments. Leases are classified as finance leases or operating leases, depending on the substance of the rental transaction. A lease is a finance lease if it transfers a significant proportion of the risks and rewards related to ownership to the lessee. Otherwise, it is an operating lease.

The Savings Banks Group does not act as a lessor in finance lease agreements. Assets leased out on an operating lease are recognised in investment assets (investment property) or in property, plant and equipment, and the rental income is recognised in the income statement as equal instalments over the lease term in net income from investment property or in other operating income. Within the Savings Banks Group, assets leased out on an operating lease include e.g. bank-owned residential apartments.

The Savings Banks Group does not have assets leased on a finance lease. The rental cost of assets leased on operating lease is recognised as an expense under other operating expenses in the income statement as equal instalments over the lease term. The Savings Banks Group acts as a lessee for e.g. office premises, printers and laptops.

5. Employee benefits

Employee benefits include short-term employee benefits, ter mination benefits, post-employment benefits and other long-term employee benefits. IAS 19 Employee Benefits determines the accounting treatment of employee benefits.

Short-term employee benefits include e.g. wages, salaries and benefits, annual leave, bonuses, extra insurances and loans granted with an interest rate lower than the market rate. Short-term employee benefits are expected to be paid in full within 12 months after the end of the financial year during which employees perform the work concerned.

Termination benefits are based on the termination of employment, not on the work performed. These benefits consist of redundancy benefits.

Post-employment benefits are paid after the termination of employment. They consist of pensions or other benefits payable after the termination of employment, such as life insurance or health care. Pension plans relating to post-employment benefits are classified as defined benefit plans or defined contribution plans.

For defined contribution plans, the Savings Banks' Group pays fixed pension contributions to pension insurance companies. The Savings Banks Group has no legal or actual obligation to make additional payments in case the pension insurance company is not able to make the benefit payments. The most significant contribution-based plan is the basic employee insurance (TyEL) subject to the Pensions Act. Independent pension insurance companies are responsible for this pension scheme within the Savings Banks Group.

The Savings Banks Group also has defined benefit plans, for which the Savings Banks Group still has obligations after making the payments for the financial period. For benefit-based pension plans, the present value of obligations arising from the plan at the reporting date less the fair value of plan assets is presented as a liability.

The Savings Banks Group uses a professionally qualified actuary to determine the essential obligations arising from post-employment benefits. The calculation is performed using the projected unit credit method. When calculating the present value of the pension obligation, the discount rate is determined on the basis of the market return on high-quality corporate bonds at the reporting date.

Other long-term employee benefits are based on long-term employment. Such benefits include e.g. paid vacation and bonuses or gifts, which are granted on the basis of accumulated years of service.

6. Life insurance assets and liabilities

Classifying insurance policies into insurance and investment contracts

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

The Savings Banks Group's insurance contracts are treated in the Savings Banks' Group's financial statements in accordance with IFRS 4 Insurance Contracts. Policies classified as investment contracts (asset management policy), on the other hand, are treated in accordance with IAS 39. Reinsurance contracts are treated in accordance with IFRS 4 as insurance contracts.

Liabilities for insurance and investment contracts

Insurance liabilities are recognised in accordance with the Finnish Accounting.

The actuarial basis of calculation used when determining insurance contract liability complies with the requirements of national regulations. The basis includes assumptions about biometric factors, operating costs and the interest rate.

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

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

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

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

Adequacy test of liabilities for insurance policies

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

The life insurance business' equity principle

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

7. Intangible assets

An intangible asset is an identifiable asset that has no physical substance. The intangible assets of the Savings Banks Group include e.g. computer softwares and software licenses.

An intangible asset is recognised in the balance sheet only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Savings Banks Group and the acquisition cost of the asset can be measured reliably. The future economic benefits may include sales revenue on services or goods, cost savings or other benefits resulting from the Savings Banks Group utilising the asset.

Intangible assets are initially measured at cost. The cost comprises the purchase price, including all costs that are directly attributable to preparing the asset for its intended use. The acquisition cost does not include the costs of using the asset, staff training expenses or administration and other general overhead costs.

After initial recognition, an intangible asset is recognised at its cost less accumulated amortisation and impairment. Intangible assets are amortised on a straight-line basis over the cause of their known or estimated useful lives. The useful life of intangible assets is reviewed annually.

Amortisation begins when the asset is available for use. An intangible asset that is not yet available for use is tested for impairment annually.

Estimated useful lives are mainly as follows:

Information systems purchased from external parties	3-5 years
Basic systems	5-10 years
Other intangible assets	2-5 years

Intangible assets are recognised in the item Intangible Assets in the balance sheet. Amortisation and impairment losses are recognised in the income statement under Depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

8. Property, plant and equipment and investment property

The Savings Banks Group's property, plant and equipment include e.g. owner-occupied property as well as machinery and equipment. In addition, the Savings Banks Group has investment properties which produce rental income.

The Savings Banks Group's properties are divided according to the purpose of use into owner-occupied properties and investment properties. The purpose of investment property is to produce rental income or capital appreciation. Some of the properties are used partly as an investment and partly in own or personnel use.

If these parts could be sold separately, the Savings Banks Group accounts for them separately according to the purpose of use. If the parts cannot be sold separately, the property is treated as an investment property only if an insignificant part of the property is used by the Savings Banks Group or the personnel. The division is done in proportion to the square meters used for different purposes.

Property, plant and equipment are recognised under the item Property, plant and equipment and investment property under the item Investment assets in the balance sheet. Investment property relating to life insurance business is recognised under Life Insurance assets in the balance sheet.

In the income statement, income related to owner-occupied property is recognized under Other operating income and related cost under Operating expenses. Amortisation and impairment losses are recognised in the income statement under Depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

In the income statement, net income from investment property, including amortisation and impairment on investment property, is included in "Net investment income" and that re-lated to life insurance under "Net life insurance income".

Property, plant and equipment and investment property are measured at cost less depreciation and impairment. The acquisition cost includes all costs that are directly attributable to the acquisition of the asset. Assets are depreciated on a straight-line basis over the cause of their estimated useful lives. Land is not depreciated. Costs generated after the original acquisition are capitalised in the carrying amount of the asset only when it is probable that the asset will generate greater economic benefits than was initially estimated.

Estimated useful lives are in mainly as follows:

Buildings	10–50 years
Technical equipment in buildings	3–8 years
Renovations in rented premises	3–10 years
Machinery and equipment	3–10 years

The residual values and useful lives of the assets are reviewed at each reporting date and adjusted to reflect expected changes in economic benefit, if necessary.

Gains and losses resulting from decommissioning and disposal of Property, plant and equipment are presented under other operating income and expenses in profit or loss. Gains and losses generated by investment property are presented under net investment income. Capital gain or loss is determined by the difference between the selling price and the remaining acquisition cost.

9. Provisions and contingent liabilities

Provisions are recognised when the Savings Banks Group has a legal or constructive obligation as a result of a past event and it is probable that the obligation will be settled and the management can reliably estimate the amount of the obligation. Where part of the obligation is expected to be reimbursed by another party, the reimbursement shall be recognised as a separate asset when it is virtually certain that reimbursement will be received. Provisions are reviewed at each reporting date and adjusted if necessary. Provisions are measured at the present value of the amount that is expected to meet the obligation.

If the above obligation exists but the requirements for recognition are not fulfilled, the obligation is a contingent liability. Contingent liabilities are not recognised in the balance sheet; instead, it is presented in the notes to the financial statements. A contingent liability shall also be assessed separately at each reporting date.

10. Taxes

The Savings Banks Group's income taxes include the current tax of the member companies, adjustments to previous years' taxes and changes in deferred tax balances. Taxes are recognised in profit or loss, except when they are directly related to equity or other comprehensive income. In that case, also the tax is recognised in those items.

Deferred taxes are calculated based on taxable temporary differences between accounting and taxation. Deferred tax assets and liabilities are offset for each company. Deferred tax assets and liabilities arising from consolidation are not offset. Deferred tax is measured in accordance with IAS 12 based on the effective tax rates at the reporting date which are applicable when the deferred tax is expected to be converted to income tax. A change in deferred tax resulting from a change in tax rates is recognised in the income statement or in other comprehensive income if the tax was recognised there in previous financial periods.

Tax assets arising from confirmed unused tax losses are recognised if it is probable that future taxable profit will be available and the assets can be utilised.

11. Revenue recognition

Interest income and expense

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

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

Fee and commission income

Fee and commission income is generally recognised on an accrual basis. Fees and commissions for performing an operation or service are recognised as income when the operation or service is completed. Fees and commissions accruing over several years are recognised for the amount attributable to the current financial year. Fees and commissions that are considered an integral part of the effective interest of a financial instrument are recognized as an adjustment to the effective interest. However, fees and commissions for financial instruments measured at fair value through profit or loss are recognised as income at the time of the initial recognition of the instrument.

Net investment income

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

Net life insurance income

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

Other operating revenue

Other operating revenue includes rental and dividend income as well as capital gains from owner-occupied property and other operating income.

12. Adoption of new IFRS standards and interpretations

New and amended standards applied in financial year ended

Savings Banks Group has applied, as from 1 January 2019, the following new and amended standards that have entered into effect.

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 (1 000 euroa)	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: (1 000 euroa)	
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 Uncertainty over Income Tax Treatments

The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted 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 interests 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 an impact on Savings Banks 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.

13. 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 Framework 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 Savings Banks Group has already begun to prepare for the changes introduced by the new standard.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

There have not been significant changes to uncertainties related to accounting estimates and judgments compared to financial statements 2018.

Determining fair value

The management must consider whether an individual financial instrument is actively traded and whether the market price obtained is a reliable indication of the financial instrument's fair value. In addition, the management must assess the criteria for determining when the market for financial instruments is not active. The management's judgment is also required when a financial instrument's fair value is determined using valuation techniques. If observable input data is not available in the market for the basis of the valuation models used, the management must assess what other input data is used when calculating fair value. Determination fair value is discussed in more detail in section "Determining fair value in the accounting policies".

Determination of expected credit losses

The models used in the calculation of expected credit losses include estimates and assumptions that may deviate from actual outcomes. The calculations involve several discretionary factors that require the management's judgement. The most significant of these factors are as follows:

- Criteria used to assess the significant increase of credit risk
- The bank's internal credit rating model, which determines the probability of credit loss for receivables
- The calculation models for expected credit losses, which include assumptions regarding the behaviour of receivables in various economic scenarios
- The macroeconomic scenarios included in the calculation of expected credit losses and their impact on the amount of expected credit losses
- The anticipation of the amounts and timing of future cash flows, the realisable value of collateral and the assessment of the borrower's financial situation.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is evidence of impairment of incomplete assets. Impairment testing is also carried out whenever there is any indication of impairment. Assessment of impairment of incomplete intangible assets requires the management's judgment.

A more detailed description of determining impairment is presented in section Impairment of non-financial assets in the accounting policies.

Actuarial calculations

Liabilities arising from insurance contracts involve several discretionary factors and estimates, such as assumptions about future interest rates, mortality, and probability of disability and future cost levels. The principles used to calculate life insurance liabilities are described in more detail in section Liabilities for insurance and investment contracts in the accounting policies.

Deferred tax assets

Deferred tax assets arising from tax losses are recognised to the extent that they are expected to be offset against future taxable profits. Recognition of deferred tax assets requires the management to assess the probability and amount of future taxable profit of companies with unused tax losses.

Present value of pension obligation

The present value of pension obligation is based on actuarial calculations, which include a number of discretionary assumptions related to e.g. discount rate, future increases in salaries, wages and pension, as well as inflation. Changes in actuarial assumptions affect the carrying amount of pension obligations.

RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT POLICIES OF THE GROUP

NOTE 4: CORPORATE GOVERNANCE POLICIES

Savings Banks' Union Coop General Meeting

The highest decision making authority in the Savings Banks' Union Coop (hereinafter the "Central Institu-tion") belongs to the members participating in the general meeting. The general meeting confirms, among other things, the supervision fees collected from the members of the Savings Bank's Group and the princi-ples behind the fees, based on the proposal of the Board of Directors.

Supervisory Board

The general meeting elects the members of the Supervisory Board and their personal deputies for the 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, when the previous deputy chairman Arto Seppänen (chairman of the Board of Directors of Someron Säästöpankki) was elected to replace Laesterä. 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 (chair-man 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.

The Supervisory Board is responsible for monitoring the governance of the Central Institution by the Board of Directors and the Managing Director making sure that the operations are managed with sound and professional manners, pursuant to the Cooperatives Act, and in the interest of the Central Institution and the Savings Banks Group. The Supervisory Board confirms, based on the proposal of the board of directors, the principles of the Savings Bank Group, the strategy, the principles for capital adequacy management and other common objectives and policies.

The Supervisory Board has confirmed its rules of procedure, which define the duties and meeting practices of the Supervisory Board.

Board of Directors

The general meeting elects the members of the Board of Directors for the term extending until the next ordinary general meeting.

According to the Central Institution rules, the Board of Directors consists of six to nine members. The annual general meeting selects the members for the term of one year. The Chairman and the deputy Chairman are appointed in the organising meeting of the Board of Directors.

The Board of Directors consists largely of the savings banks' professional directors or members of the board of directors of savings banks. The assembly of the members secures the presentation of the Swedish speaking banks and different sizes of the banks in The Board of Directors. It also reflects the amount of member banks' liability in the amalgamation and the members' will and capability to improve the single banks' as well as the whole amalgamation's competitiveness.

The Board of Directors must comply with the regulation set by the Act of the Credit institution, ECB Banking Supervision and Finnish Financial Supervisory Authority regarding the competence and independence requirements for the Central Institution. Each member of the Board of Directors must present enough accurate information, so that his or her competence and independence can be justified. The principles concern-ing diversity have been taken into consideration in the composition of the Board of Directors. Each member of the Board is expected to have enough time to work for the Central Institution. The Board of Directors within the Saving Banks Group are accounted to be one membership.

The principles concerning diversity have been taken into consideration in the composition of the Board of Directors, which have been approved 18.3.2015. The objective is to ensure the competence and diversity of the Board of Directors required by a sound corporate culture, to preserve the value through effective moni-toring of business operations and to increase the value with insight and strategic thinking. The nomination committee assess regularly the composition of the Board of Directors and give recommendation for the possible changes. The Board of Directors assess regularly through the self-assessment the members of the Board and their competence. The share of female board members was 33 per cent in 2019.

By the decision of the Savings Banks Union Coop General meeting at 14.3.2019, the members of the Board of Directors were Mr. Kalevi Hilli (chairman), Mr. Toivo Alarautalahti (vice-chairman), Mr. Pauli Aalto-Setälä, Ms. Pirkko Ahonen, Mrs. Sanna Ahonen, Mr. Jari Oivo, Mr. Jaakko Ossa, Mr. Ulf Sjöblom and Mrs. Marja-Leena Tuomola. The Directors are CEOs or members of the board of directors of the Savings Banks, except Mr. Aalto-Setälä, Mrs. Ahonen and Mrs. Tuomola, who are the independent members of the Board of Directors.

The Board of Directors is responsible for leading the operations of the Central Institution in accordance with the provisions of the Cooperatives Act, the Act on the Amalgamation of Deposit Banks as well as the rules of the Central Institution. The Board of Directors is also responsible for guiding the operations of the Amalgamation, formulating a strategy for the Savings Banks Group and developing intra-group collaboration.

The Board of Directors has confirmed its rules of procedure, which define the duties and meeting practices of the Board of Directors.

Committees

The Supervisory Board has appointed Nomination Committee and Remuneration Committee, and the Board of Directors has elected Audit Committee and Risk Committee. The Supervisory Board and the Board of Directors have approved the rules of procedure for the committees they each have appointed.

The task of the Nomination Committee is to prepare a recommendation regarding the members of the governing bodies of the Central Institution and the Savings Banks' service companies, along with their remuneration.

The Remuneration Committee prepares recommendations for remuneration policies and systems of the Managing Director's and the members of the management reporting directly to managing Director's in member credit institutions and other member organisations of the Amalgamation. Furthermore, the Committee shall prepare remuneration guidelines and schemes.

The task of the Audit Committee is to assist the Board of Directors of the Central Institution in ensuring that the Central Institution, the Amalgamation and the Group apply a comprehensive and appropriately organised accounting, accounting practices and financial reporting. The Committee also supports the Board of Directors in ensuring that the Amalgamation and the Group, to the extent necessary, possess adequate and appropriately organised internal controls, internal audit systems and audit procedures. It furthermore makes sure that the operations and internal controls of the member organisations are organised as required by law, regulations and good management and governance practices; it also supervises the internal control operations.

The task of the Risk Committee is to assist the Board of Directors of the Central Institution in matters concerning risk strategies and risk-taking and to monitor that the Amalgamation complies with the risk strate-gies as approved by the Board of Directors of the Central Institution. The Risk Committee monitors and ensures the efficiency and adequacy of the capital adequacy management process within the Amalgama-tion and evaluates the adequacy of the policies, controls and processes related to these risks. The Committee assists the Remunaration Committee in creating adequate compensation systems.

In addition, the Board of Directors of the Central Institution has appointed an Asset and Liability committee to assist the Risk Committee in its area of responsibilities and to plan and co-ordinate the funding of the Amalgamation together with the Central Bank of Savings Bank Finland's Treasury.

Managing Director

The Board of Directors elects the Central Institution's Managing Director and his/her deputy. The Managing Director's tasks include the day-to-day management of the Central Institution according to the provisions of the Cooperatives Act, implementing the Savings Banks Group's strategy in line with the Board's guidelines and provisions, preparing issues for presentation to the Board of Directors and assisting the Board of Direc-tors in the preparation of issues to be taken up by the Supervisory Board and the general meeting.

The Managing Director of the Central Institution is Mr. Tomi Närhinen and his deputy is Mrs. Anita Aalto.

Audit

The Central Institution has one auditor, which must be an audit firm approved by the Finnish Central Chamber of Commerce. This auditor also audits the combined financial statements as defined in the Amalgamation Act.

The auditor is appointed by the general meeting. The auditor's term of office ends at the conclusion of the regular cooperative meeting following the appointment.

The auditor responsible for the Savings Banks Group's Central Institution is the audit firm KPMG Oy Ab. The firm has appointed Mr. Petri Kettunen, APA, as the auditor in charge.

Legal structure of the Savings Banks Amalgamation and Savings Banks Group

The Savings Banks Amalgamation and Savings Banks Group have been described in more detail in note 1 to the financial statements.

Members of the Savings Banks' Union Coop

As of 31 December 2019, the Savings Banks' Union Coop members were:

Aito Säästöpankki Oy
Avain Säästöpankki
Ekenäs Sparbank
Eurajoen Säästöpankki
Helmi Säästöpankki Oy
Huittisten Säästöpankki
Kvevlax Sparbank
Lammin Säästöpankki
Liedon Säästöpankki
Länsi-Uudenmaan Säästöpankki
Mietoisten Säästöpankki
Myrskylän Säästöpankki
Nooa Säästöpankki Oy
Närpes Sparbank Ab
Someron Säästöpankki
Sysmän Säästöpankki
Säästöpankki Kalanti-Pyhäranta
Säästöpankki Optia
Säästöpankki Sinetti
Ylihärmän Säästöpankki
Central Bank of Savings Bank Finland Plc
Sp Mortgage Bank Plc

Risk management and internal control framework of the Savings Banks Amalgamation

In accordance with the Amalgamation Act, the Central Institution of the Amalgamation is supervised by the Finnish Financial Supervisory Authority. Its member credit institutions are supervised by the Finnish Financial Supervisory Authority and the Central Institution. The Financial Supervisory Authority ensures that the Central Institution monitors and guides the operations of the member credit institutions in accordance with the provisions of the Amalgamation Act and that the member organizations comply with their legal obligations.

The Central Institution ensures that the Amalgamation members conduct their business according to the laws, decrees and regulations concerning financial markets as well as in line with their own rules and Articles of Central Institution and the guidelines issued by the Central Institution by virtue of Section 17 of the Amalgamation Act. The Central Institution also monitors the financial standing of the member organisations.

The Central Institution must have reliable governance that makes efficient risk management possible along with internal controls commensurate with Amalgamation operations and sound risk-management systems. The principles to be followed in the risk management of the Savings Banks Amalgamation are included in the risk and solvency management principles approved by the Central Institution's Board of Directors, de-scribed in the notes to risk management.

Pursuant to the Amalgamation Act, the aggregate amount and liquidity of the Amalgamation`s own funds are monitored at the amalgamation level on a consolidated basis. The Central Institution is responsible for monitoring the operations of the member credit institutions and giving them guidance in risk management, reliable governance and internal control needed to secure their liquidity and solvency. It also guides the members in the preparation of consolidated financial statements based on uniform accounting principles. The Central Institution may also establish general operating principles for the member credit institutions to observe in operations that are considered important for the Amalgamation.

Each member credit institution operates independently relying on its own resources. A member institution may not take risks that could put the Amalgamation in danger in terms of the members' combined solvency or liquidity.

The Amalgamation must comply with the requirements regarding minimum consolidated own funds, laid down in the Act on Credit Institutions. As a minimum, the member institutions of the Amalgamation must maintain aggregate own funds that are sufficient to cover the combined risks, specified in the Act on Credit Institutions, of the member institutions. The consolidated own funds of the member institutions must also be sufficient considering the consolidated customer risks and significant ownerships of the member institution of the Amalgamation.

The internal control system comprises financial and other controls. Internal control is the part of management and operations intended to ensure

- The achievement of goals and objectives
- Economical and efficient processes
- Management of risks related to operations
- The reliability and validity of financial and other management information
- Compliance management
- Adequate security of operations, data as well as company and customer assets, and
- Appropriate and adequate manual and automated information systems in support of business operations.

Internal control, for which all functions and organisational levels take responsibility, is part of the operational activities; it is an integral part of daily operations. Crucial for a working and effective control system is that an appropriate internal control structure and control measures have been defined for all business levels, including adequate guidelines, control measures, follow-up and reporting.

The Central Institutions Board of Directors is primarily responsible for organising, implementing and secur-ing the functioning of the internal control system. The Central Institution's Board of Directors 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:

- Risk control
- Compliance
- Internal audit

The Central Institution's Risk control function maintains and dvelops 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 Group's business lines.

The Board of Directors monitors the business performance and associated risks of the Amalgamation regularly and decides on reporting, procedures as well as qualitative and quantitative indicators used to assess the efficiency and performance of the operations. The Central Institution is tasked with the Amalgamation-level risk control and financial reporting.

To carry out this responsibility, the Central Institution's Supervisory Board and Board of Directors appoint the committees laid down in the Act on Credit Institutions and any other committees they consider necessary to support their work. They also confirm the organisation of the Central Institution's management and describe the main areas of responsibility.

The Board of Directors of the member credit institutions are responsible for arranging internal controls for their own organisations in accordance with legislation, government regulations and the internal guidelines of their own Board of Directors and the Board of Directors of the Central Institution. The member credit institutions of the Savings Banks Amalgamation must make appropriately organised internal control a part of their daily business operations.

The Central Institution's executive management has a functional responsibility for the operations of the Amalgamation's Central Institution under authorisation of the Savings Banks' Union Coop's Board of Directors.

At the Amalgamation level, the Central Institution's executive management is responsible for:

- Developing and maintaining measures, guidelines and instructions leading to reliable governance that enables efficient risk management, internal controls commensurate with Amalgamation operations and secure functioning of the controls
- Reporting on and controlling the quality and development of various risk areas
- Ensuring efficient and all-around functioning of the practical measures of internal controls
- Ensuring that any shortcomings and development needs of internal control are documented and reported for corrective actions to the members of the management responsible for internal control in each entity, and
- Ensuring that the Central Institution's Board of Directors and Supervisory Board are aware of the functioning of the internal controls and can verify their own responsibilities in an efficient and comprehensive manner.

Internal control is supported by appropriate reporting, which is used to monitor the quality, scale and diversity of operations, and by descriptive reporting to monitor operations, performance and risks associated with operations. Reporting shall be reliable, clear and up to date. Reporting on financial, risk management and compliance activities is prepared centrally and separately from business activities.

Member credit institutions' solvency and its control

The minimum own funds of a member credit institution may, with the consent of the Central Institution, be lower than what is required by the Act on Credit Institutions. The member institution must secure its solvency by having own funds in the amount of at least 80% of the amount required by the Act on Credit Institutions.

The Central Institution may also allow a member institution to exceed the customer risk limits laid down in the Act on Credit Institutions. The Central Institution may allow, for the maximum period of three years at a time, that an individual customer risk of a member credit institution is up to 40% of the institution's own funds, while the relevant limit set in the Act on Credit Institutions is 25%. Customer risks of credit institutions and investment service companies are regulated separately in the Amalgamation Act. Similarly, the maximum percentages regarding ownership in business associations may, with the Central Institutions con-sent, be raised to 25% and 75%, respectively, of own funds, while the Act on Credit Institutions has set the limits at 15% and 60%.

Moreover, the Central Institution may decide that its member credit institutions are not subject to the solvency requirements set for credit institutions in Part 6 of the EU Capital Requirements Regulation and other EU regulations based on it.

The Central Institution may also decide that the provisions of Chapter 9 of the Act on Credit Institutions and the EU Capital Requirements Regulation regarding qualitative risk management of credit institutions and their consolidation groups do not apply, partly or fully, to its member credit institutions and companies in their consolidation groups.

The Central Institution may grant the above waiver provided it meets the requirements laid down in Section 17 of the Amalgamation Act and the Finnish Financial Supervisory Authority's regulations based on the Act along with other legal requirements, and that the Financial Supervisory Authority, based on the above, has granted to the Central Institution the authority to make such decisions. The Central Institution may not grant such waiver to a member credit institution which has significantly and repeatedly failed to comply with the Central Institution's guidelines referred to in Section 17 or other obligations regarding its risk management.

Joining the Savings Banks Amalgamation; withdrawal from membership

The Savings Banks Group's financial statements combine the financial statements of all its significant mem-ber organisations. Pursuant to the Amalgamation Act, the Savings Banks Group's financial statements must be prepared in accordance with the international accounting standards referred to in the Accounting Act. As per these standards, the financial statements must include all other significant organisations belonging to the Savings Banks Group. The Finnish Financial Supervisory Authority has issued detailed instructions regarding the preparation of the Savings Banks Group's financial statements. The principles followed in preparing the financial statements are described in the Note 2 of the financial statements.

Member credit institutions have no obligation to publish an interim report as referred to in Section 12 of Chapter 12 of the Act on Credit Institutions.

The Central Institution is obliged to advise its member credit institutions in applying uniform accounting principles. The member credit institutions must give the Central Institution the information needed for the consolidation. Furthermore, the Central Institution and its auditor have a right to request a copy of a member Credit Institution's audit documentation for auditing the consolidated financial statements.

The financial statements are presented to the ordinary general meeting of the Savings Banks`Union Coop.

Payment liability of the central institution and mutual responsibility of member credit institutions

According to the Amalgamation Act, the Central Institution must, as a supporting measure, pay to a member credit institution an amount needed to prevent its liquidation. The Central Institution is also liable for a debt a member credit institution cannot pay from its own funds.

The member credit institutions must pay to the Central Institution their share of the amount the Central Institution has paid either to another member credit institution as a supporting measure or to the creditor of another member credit institution as payment for a debt for which the creditor has not been able to obtain payment from the member credit institution. In the event of the Central Institution's insolvency, member credit institutions also have an obligation to pay unlimited additional amounts towards the Central Institution's debt, as provided in the Cooperatives Act.

Each member institution's liability of the amount of the Central Institutions payment is divided between the member credit institutions in proportion to their latest confirmed balance sheet totals. In each financial year, the combined annual payments collected from a member credit institution as a supporting measure to prevent another member's liquidation may not exceed, in total, five thousandths of its latest confirmed balance sheet total.

Deposit Guarantee Fund and Investors' Compensation Fund

According to the legislation concerning the Deposit Guarantee Fund, the deposit banks of the Savings Banks Amalgamation are considered to constitute a single bank in respect of deposit protection. The Deposit Guarantee Fund reimburses a maximum of EUR 100,000 to an individual account holder who has receivables from deposit banks belonging to the Savings Banks Amalgamation.

Under the legislation concerning the Investors' Compensation Fund, the Savings Banks Amalgamation is also regarded as a single bank for the purposes of compensation protection. The Investors' Compensation Fund's assets may be used to compensate an investor's receivables from organizations belonging to the Savings Banks Amalgamation to a maximum of EUR 20,000.

Remuneration

The Savings Banks Amalgamation's remuneration system for personnel and management is based on current legislation, the regulations and recommendations governing the financial sector and, where applicable, the Finnish Corporate Governance Code.

The Savings Banks Amalgamation's decisions on the remuneration systems for executive management and personnel are compliant with Chapter 8 of the Act on Credit Institutions. However, the Savings Banks Group does not apply the provisions of Sections 9, 11 and 12 in Chapter 8 of the Act on Credit Institutions to those employees whose variable remuneration for a one-year earning period does not exceed EUR 50,000 and whose variable remuneration for a one-year period does not exceed 100% of the employee's total fixed remuneration.

By 'remuneration systems' it is meant the decisions, contracts, policies and procedures that are followed in rewarding the management and personnel. The remuneration system includes both the rewarding method and the processes related to its development and implementation. The remuneration system is developed actively and taking a long-term view in order to secure the Amalgamation's competitiveness, good economic growth, inventiveness, commitment and availability of new competent persons. The Savings Banks Amal-gamation sees the remuneration system as a comprehensive package that supports the motivation and job satisfaction of the personnel. It is used to guide the operations towards the common goals. The remuneration system includes financial remuneration components as well as other components, such as the maintenance and development of professional competence. As such, financial compensation is only one part of the bigger picture, and emphasis is also placed on other forms of remuneration.

The remuneration system is consistent with the good and efficient risk management of the member credit institutions and member companies of the Amalgamation and is always implemented within the framework of the Amalgamation's current risk-management principles. Remuneration does not encourage risk-taking that would exceed the sustainable risk level defined on the basis of the risk-bearing capacity of the member credit institutions or the Savings Banks' Union Coop.

The Central Institution's Supervisory Board decides, on the proposal of the Remuneration Committee, on the remuneration principles of the Savings Banks Amalgamation. The Central Institution's Remuneration Committee monitors and controls the functioning and competitiveness of the remuneration systems of the member credit institutions and companies ensuring their ability to support short and long-term goals of the Amalgamation, and prepares proposals to the Board of Directors for the development of the remuneration system.

The Remuneration Committee consists of minimum four members. Three members chosen by the Central Institution's Supervisory Board plus one independent member of the Savings Banks form the Committee. The Committee may also use various experts who may be invited to participate in committee meetings. The make-up and work of the Committee have been organised in such a way as to allow the committee to as-sess independently the incentives and other impacts of the remuneration systems on the risk, capital and liquidity management.

The Savings Banks Amalgamation's Risk Committee evaluates, and reports to the Remuneration Committee on, whether the remuneration systems and practices take into account factors such as risks as well as requirements concerning capital and liquidity.

Compliance Officers participate in the planning of remuneration practices and, for their part, ensure that the remuneration policies and practices of each bank and company comply with the current regulations and the Amalgamation's guidelines. The Compliance function monitors the remuneration system and practices in accordance with its annual plan.

The internal audit of the Amalgamation's Central Institution issues an annual assessment on compliance with the remuneration to the Board of Directors of the member organisation or company. The internal audit of the Amalgamation's Central Institution also issues an Amalgamation-level assessment to the Central Institution's Supervisory Board on compliance with the remuneration system based on the company-level assessments. Key observations are also reported to the Central Institution's Remuneration Committee.

The boards of directors of the Amalgamation's member organisations and companies decide, for their part, on their entity's remuneration system as well as the short-term and long-term targets of remuneration in a manner that supports the business objectives and management of the individual member organisation or company. The boards of directors of the Amalgamation's member organisations and companies also decide, for their part, on the payment of remuneration based on the achievement of targets while observing the risk adaptation process.

The remuneration of functions independent of business operations is controlled by the board of the member credit institution, member company or the Central Institution. Such remuneration may not depend on the outcome of the business unit which they control, but must be based on the achievement of the goals set for the control.

The Savings Banks Group has identified significant risk-takers who can impact a bank's risk profile or through their actions cause considerable financial risk to a bank. The persons affecting the risk profile of the Amalgamation include the Managing Directors and other people participating in the management and decision-making in the member credit institutions, Central Institution or other member organisations along with other people with a major impact on the company's risk exposure, including people associated with functions independent of business operations. The Central Institution gathers up-to-date information about significant risk-takers. Each member institution is responsible for the accuracy and timeliness of its own information.

If a person, who is assigned to a group whose professional duties may cause significant risk to a member credit institution or the company ("person affecting risk profile"), is proposed to be paid more than EUR 50,000 annually, the provisions of the Act on Credit Institutions on deferring the payment of variable remuneration are applied.

The salaries, wages and remuneration of the financial year are shown in the note 13 of the financial statements titled "Personnel expenses".

NOTE 5. RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT

General principles and objectives for risk management

The Group is a financial group comprising 20 Savings Banks and their central institution, the Sav ings Banks' Union Coop, as well as their subsidiaries and asso ciated companies. The Group does not form a financial and insurance conglomerate as defined in the Act on the Supervision of Financial and Insurance Conglom-erates.

The member organizations of the Amalgamation form a financial entity as defined in the Amalgamations Act, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the central institution of the Amalgamation, 20 independent, local and regional Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sp-Fund Manage ment Company Ltd, along with Savings Bank Services Ltd, which is 100 % owned by the Savings Banks' Union Coop.

The Savings Banks' Union Coop acts as the Central Institution of the Amalgamation. According to the Amal-gamation Act the Central Institution has the right to steer and the obligation to monitor the operations of the member credit institutions. The Central Institution conducts its tasks of steering and monitoring on both the Amalgamation and the member credit institution levels. The Board of Directors of the Central Institution has approved the most significant risk strategies and other operating principles. It also decides on the use of necessary means of control according to the Amalgamation Act and the Group's operating principles. The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range offered has complemented with the other financial services and products provided in cooperation with the service and product companies within the Group. The most significant service and product companies of the Group are Central Bank of Savings Banks, Sp Mortgage Bank Plc, Sp Life Insurance, Sp Fund Management Company, Savings Bank Services Ltd and Sp Koti.

The risk and capital adequacy management processes are regulated by the Act on Credit Institutions, the Act on Insurance Companies, the Amalgamations Act, directly binding EU regulations together with the regulations and guidelines of the FIN FSA. According to the Amalgamations Act the minimum consolidated capital adequacy and liquidity of the companies within the Amalgamation shall be controlled on a consoli-dated basis at the Amalgamation level.

The membership of the Amalgamation includes the responsibility for the operations of the Amalgamation and its member institutions. The responsibility means that each of the member institution in their decision-making takes into account the effect on the operations of their own organization as well as on the opera-tions of the other member institutions within the Amalgamation. Each Savings Bank takes risks within its own funds, capital adequacy and liquidity and operates within its own risk-bearing capacity.

The objective for the Amalgamation's risk management is to recognize the threats and possibilities affect-ing the implementation of the Amalgamation's strategy.

The objective of the capital adequacy management is to ensure the risk-bearing capacity of the Amalgama-tion and its member organizations as well as the continuity of their operations. The Amalgamation's strate-gy defines the objectives for risk-bearing capacity and risk appetite together with other risk management objectives in relation the business objectives.

The Amalgamation has efficient corporate governance ensuring adequate risk management as well as ade-quate internal control and risk management framework. The corporate governance, internal control and risk management framework must comply with legislation and the regulations and guidelines issued by the authorities. The principles of the corporate governance are described in more detail in Note 4 Corporate governance policies.

The Group conducts retail banking, central credit institution services, mortgage credit banking, investment and asset management, life insurance and real estate brokerage. The most significant risks affecting the banking segment are credit, interest rate and liquidity risks. The life insurance business is affected by the market, insurance and counterparty risks. Business and operational risks including legal and compliance risks arise within all business areas.

Risk management principles and governance

Risk management framework includes identifying, assessing, measuring, mitigating and monitoring risks arising from the Amalgamation's business operations. The purpose of risk management is to minimize the likelihood of unforeseeable losses or reputational risk in order to ensure the implementation of the Group's strategy.

Risk and capital adequacy management enables the identification, assessment and measurement of risks, limiting them to a level of the Amalgamation's risk appetite. The capital needed for the various risk areas and business lines is determined in a reliable and independent manner and allocated systematically. This is done based on current and planned risk-taking and taking into account the requirements of appropriate liquidity management.

The Central Institution is responsible for the risk and capital adequacy management and the adequacy and maintenance of the risk management framework at the Amalgamation level. The Central Institution gives the member organizations guidelines in risk management, corporate governance and internal control in order to ensure their liquidity and capital adequacy. The Central Institution also gives guidelines to the member organizations regarding the accounting principles for preparation of Group's consolidated financial statements. The Central Institution monitors that the member institutions within the Amalgamation comply with internal operating principles and follow the rules of good banking practices in their customer relation-ship. The Central Institution approves the principles for the internal control framework. The risk manage-ment strategy is based on the objectives and business strategy, risk management instructions and guide-lines and authorization structure approved by the Board of Directors together with the risk and follow-up reporting related to the most significant business lines.

The member institutions are responsible for the risk management framework and the risk and capital ade-quacy management within their own organizations in relation to the nature, scale and complexity of their business. The basis for risk management within the Amalgamation is that a member institution does not take such significant risks in its operations that it would jeopardise the liquidity and/or the capital adequacy of the member institution. When each member institution operates within its risk-bearing capacity and ensures its' liquidity and capital adequacy even during less favourable economic conditions, also the liquidi-ty and the capital adequacy of the Amalgamation are ensured. The Board of Directors of the member insti-tution defines the risk appetite by approving the risk area specific risk strategies, risk limits and other thresholds. The monitoring follows the implementation of the risk strategies and reporting of the risk limits and other thresholds conducted independently from the business operations.

In order to ensure the adequacy of the risk management within the Amalgamation the Board of Directors of the Central Institution has set a Risk Committee. The task of the Risk Committee is to assist the Board of Directors of the Central Institution in matters concerning risk strategies and risk-taking and to monitor that the Amalgamation complies with the risk strategies as approved by the Board of Directors of the Central Institution. The Risk Committee monitors and ensures the efficiency and adequacy of the capital adequacy management process within the Amalgamation and evaluates the adequacy of the policies, controls and processes related to these risks. Risk Committee congregates monthly

The task of the Asset and Liability Committee is to assist the Board of Directors and Risk Committee in their areas of responsibilities and ensure that the structural liquidity and market risk including interest rate and investment risk of the Amalgamation remain at the level that ensures the continuity of the Amalgamation's operations. In addition, the Asset and Liability Committee plans and co-ordinates the funding and liquidity management of the Amalgamation together with the Central Bank of Savings Bank's Treasury.

The Central Institution has established the following functions, independent of business operations, to en-sure an efficient and comprehensive internal control system for all member organizations of the Amalgamation:

- Risk Control
- Compliance
- Internal Audit

The task of the independent Risk Control unit is to ensure and monitor that the risk management frame-work of the Amalgamation is adequate in relation to the nature, scale, complexity and risk level of the Amalgamation's business operations. The Risk Control unit assists the Board of Directors and senior man-agement of the Amalgamation in their task to arrange adequate risk management framework and monitor the functionality and efficiency of the risk management framework.

The Compliance unit ensures that the Amalgamation complies with the legislation and authorities' regula-tion and guidelines. The Compliance unit is responsible for monitoring that the Amalgamation complies with the internal guidelines, ethical guidelines given to the personnel and other guidelines applied within the financial markets.

The Internal Audit monitors that the internal audit of all the institutions belonging to the Amalgamation and the Group is appropriately arranged. As an independent unit Internal Audit ensures that the Board of Directors, Supervisory Board and senior management of the Central Institution has a fair and comprehen-sive view of the profitability, efficiency, adequacy of internal control and level of risk positions of the Group's, Amalgamation's and its member institutions.

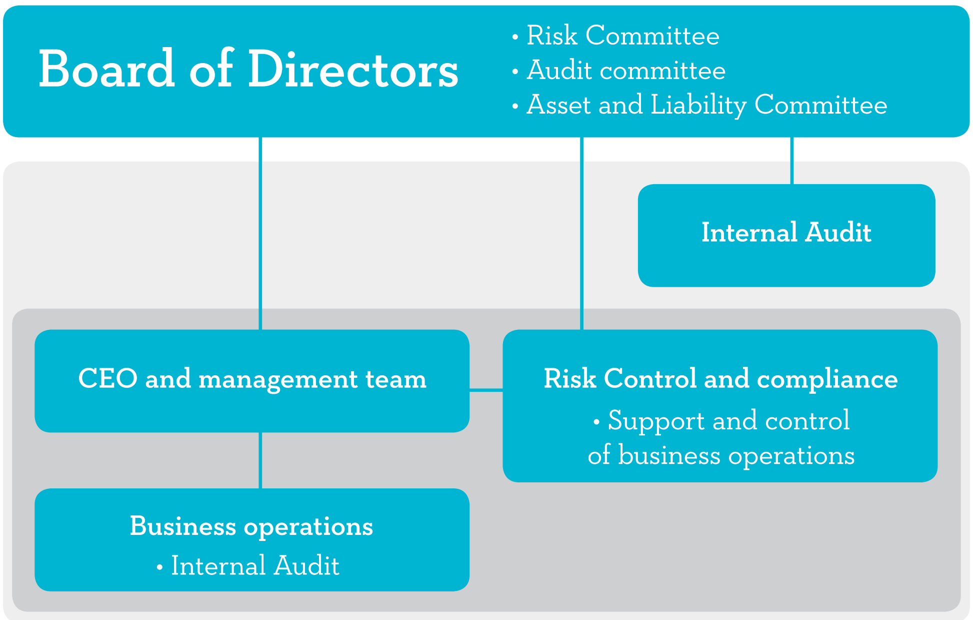


Chart: Risk management governance of the Central Institution

The Boards of Directors of the Amalgamation's member organizations are responsible for arranging the internal control framework within their own organizations in accordance with legislation, government regu-lations and the guidelines of the Board of Directors of the Central Institution. The CEOs together with the other senior management of the member organizations are responsible for arranging internal controls for their own organizations in accordance with legislation, government regulations and the internal guidelines of their own Board of Directors and the Board of Directors of the Central Institution.

The methods of risk management in the Amalgamation are maintained and developed by Central Institution's Risk Control unit. The objective is to ensure that the risk management covers all material risks, including any new and previously unidentified risks.

All significant loans or commitments including significant risk are made in accordance with collegial deci-sion-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 made decisions is monitored through approval and verification process, controls and reconciliations together with adequate monitoring and reporting.

Risk strategies and limit structure for each risk area have been established at the Amalgamation.. The risk strategies are complemented by the operational guidelines of the Board of Directors of the Central Institu-tion. The risk strategies include the identification, measurement and assessment of risks and the descrip-tion of limits, monitoring and reporting of the risks.

The risk positions are regularly reported to the Board of Directors of the Central Institution. The Board also approves the framework for risk appetite by setting risk limits and other thresholds for different risk areas at the Amalgamation level.

Pillar III disclosure principles

The Amalgamation's Pillar III disclosure principles have been established in accordance with the effective legislation and authorities' regulations and also taking into account the Amalgamation' long term strategy and business plan. The objective of the Pillar III disclosure principles is to ensure that the amount and quality of the published information is adequate in relation to the nature, scale, complexity and risk level of the Amalgamation's business operations and taking into account the specific features of the Amalgamation's business operations. To achieve this objective, the Amalgamation assesses the materiality of the information from the stakeholder point of view and evaluates what can be classified as proprietary or confidential information. The Savings Banks Amalgamation publishes all relevant information of the business and various risk areas, which are based on a selected business strategy.

The Amalgamation's Board of Directors approves the Pillar III disclosure principles and the Central Institution's management prepares the disclosure principles. The principles are updated at least annually or whenever the Amalgamation's operating environment, business model, regulatory and/or regulatory framework change materially. The Pillar III information of 2018 is published in the separate Pillar 3-report. However, the Amalgamation assesses the need for more frequent publication if the market conditions, financial performance or change in the risk position would require that.

Capital adequacy management

The objective of the capital adequacy management process is to ensure that the quantity and quality of capital are adequate and in proportion with the nature, scale and complexity of the Amalgamation's opera-tions and with all the risks resulting from its business operations and operating environment. To achieve this objective, the Amalgamation identifies and assesses the risks associated with its business operations and ensures that its risk-bearing capacity is adequate when compared to the sum of all risks.

The Amalgamation's capital adequacy management is based on the capital adequacy requirements and internal assessment process of capital adequacy defined in the Capital Requirements Directive (CRD IV) and Regulation (CRR) Pillar 1 of the European Parliament and of the Council. In the internal assessment process, the Amalgamation estimates the amount of capital need to cover any unforeseen losses resulting from risks outside of Pillar 1. The internal capital requirement is been called Pillar 1+, which is the minimum capital requirement (Pillar 1) plus risks outside of Pillar 1, such as the interest rate risk associated with the banking book, market risk associated with the investment portfolio and business risk.

The Board of Directors of the Central Institution has the responsibility for the management of the Amal-gamation's capital adequacy. The Board of Directors of the Central Institution approves the basis, objec-tives and principles for the Amalgamation's capital adequacy management. The Board of Directors also confirms the overall requirements for the measurement and assessment of capital adequacy and the over-all principles for the management process of capital adequacy. In practice, this means that the Board of Directors approves the risk strategies and defines target levels for the capital needed to cover all material risks caused by the Amalgamation's business operations and changes in the operating environment. The Board of Directors monitors regularly the profitability and risk profile of the Amalgamation and makes the decisions on necessary reporting and procedures together with the qualitative and quantitative measures that have used to assess the efficiency and profitability of the operations.

The Board of Directors of the Central Institution has set a quarterly followed threshold for the capital ratio. The long-term minimum requirement for the CET1 capital is 18%

Stress test

The Amalgamation uses stress tests to assess its own risk position and the adequacy of its capital. The pur-pose of stress tests is to estimate how different exceptionally serious but possible situations may affect the profitability, capital adequacy and adequacy of own funds. Stress tests have designed to identify the key risks to the Amalgamation and to assess how vulnerable its structure is to the occurrence of those risks. The objective of the capital adequacy management is also to maintain and develop the quality of the risk man-agement framework.

Capital contingency plan

The Amalgamation's capital contingency plan has been done in order to be prepared for unforeseeable events that may threaten its capital adequacy. The capital contingency plan includes target and follow up levels set by the Board of Directors for the quantity and quality of the capital, that are to be monitored and controlled quarterly by the Risk Control unit of the Central Institution. In the event that capital adequacy falls to the level of or below the early warning threshold, the Risk Control unit of the Central Institution shall analyze the reasons causing the situation and report the findings to the Board of Directors's Risk

Committee and Board of Directors who will make the necessary decision on the activation of the contin-gency plan.

Pillar I capital requirement

The biggest capital requirements for the credit and counterparty risk are coming from the exposures se-cured by mortgages on immovable properties, corporate and retail exposures. The standardised method is used to calculate the capital requirement to the credit risk of Savings Banks. The capital requirement to operational risk is calculated by the basic method. The capital requirement relating to market risk is calcu-lated with the basic method on the foreign-exchange position.

Pillar I capital requirement (EUR 1,000)	31.12.2019	31.12.2018
Exposures to central governments or central banks		9
Exposures to regional governments or local authorities	32	36
Exposures to public sector entities		
Exposures tu multilateral development banks		5
Exposures to international organisations		
Exposures to institutions	2,950	2,657
Exposures to corporates	86,552	82,875
Retail exposures	69,154	68,675
Exposures secured by mortgages on immovable property	179,565	171,783
Exposures in default	5,382	4,918
Exposures associated with particularly high risk	1,074	720
Exposures in the form of covered bonds	323	419
Items representing securitisation positions		
Exposures to institutions and corporates with a short-term credit assesment		
Exposures in the form of units or shares in collective investment undertakings (CIUs)	25,962	34,730
Equity exposures	6,378	6,820
Other items	10,267	11,629
Capital requirements for credit and counterparty credit risk	**387,638**	**385,277**
Capital requirement for credit value adjustment (CVA)	**8,141**	**5,794**
Capital requirement for market risk	**2,306**	**3,067**
Capital requirement for operational risk	**39,995**	**36,708**
Own funds in total	**438,079**	**430,845**

Own funds and capital ratio

At the end of 2019, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 1044.0 million (EUR 978.0 million), of which CET1 capital accounted for EUR 1 028.6 million (EUR 984.2 million). Savings Banks Amalgamation does not have additional Tier 1 capital. The growth in CET1 capital was due to the profit for the period. Tier 2 (T2) capital accounted for EUR 15.4 million (EUR 29.7 million), which consisted of debentures in the financial year. Risk-weighted as-sets amounted to EUR 5 476.0 million (EUR 5 385.6 million), i.e., they were 2.5 % 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, 1.0% systemic risk buffer,
- 0.5% CET1 pillar 2 requirement of set by the Financial Supervisory Authority and
- The country-specific countercyclical CET1 capital requirements of foreign exposures.

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

In the beginning of the year 2018 Credit Institution Act was updated to include a new macroprudential measure, Systemic Risk Buffer (SRB). FIN-FSA made a decision to maintain the previous level of systemic risk buffer requirements for Finnish credit institutions on 28 June 2019. The systemic risk buffer require-ment for Savings Banks Amalgamation is 1 % of risk weighted assets, and the requirement is effective since 1 July 2019.

After conducting Supervisory Review and Evaluation Process, SREP, FIN-FSA Board decided on 4 July 2019 to update the discretionary capital add-on (Act on Credit Institutions, Chapter 11, Section 6) for Savings Banks Amalgamation. The Pillari 2 requirement will be 1.25% of total risk exposure and will be applicable from 31 March 2020 for a period of 3 years. At year end 2019 the requirement is 0.5%. The requirement shall be fulfilled with core equity tier 1 (CET1) capital.

The decision made by the FIN-FSA Board to lower the maximum LTC ratio from 90 % to 85 % for residential mortgage loans other than first-home loans came into effect on 1 July 2018. In the year 2019 FIN-FSA de-cided not to impose countercyclical buffer requirement (CCyB) on credit institutions, and therefore CCyB remained at zero. CCyB can vary from 0-2.5% of risk weighted assets. FIN-FSA did not impose additional O-SII capital requirement for Savings Banks Amalgamation.

The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit insti-tutions included in the Amalgamation from own funds instruments when calculating own funds at the indi-vidual 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 Eu-ropean 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 requirement for the credit risk is calculated by standardised approach and capital requirement for the operational risk is calculated by basic approach and for the market risk by basic approach for the currency position.

Own Funds (EUR 1,000)	31.12.2019	31.12.2018
Common Equity Tier 1 (CET1) capital before regulatory adjustments**	1,064,718	986,615
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-36,086	-38,524
Common Equity Tier 1 (CET1) capital	**1,028,632**	**948,092**
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**1,028,632**	**948,092**
Tier 2 capital before regulatory adjustments	15,352	29,736
Total regulatory adjustments to Tier 2 capital		
Tier 2 (T2) capital in total	**15,352**	**29,736**
Total capital (TC = T1 + T2)	**1,043,985**	**977,827**
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

Solvency ratio	31.12.2019	31.12.2018
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)	19.1 %	18.2 %

Capital requirement	31.12.2019	31.12.2018
Total capital requirement	1,043,985	977,827
Capital requirement total*	659,725	593,940
of which: Pillar II Additional capital requirement	27,380	26,928
Capital buffer	384,260	383,888

*The capital requirement is formed by the statutory minimum capital adequacy requirement of 8%, the capital conservation buffer of 2.5% according to the Act on Credit Institutions, 1% systemic risk buffer, the 0.5% Pillar 2 requirement set by the Financial Supervisory Authority and the country-specific countercyclical capital requirements of foreign exposures.

** Common Equity Tier 1 for 2018 has been corrected.

Leverage ratio

The Savings Banks Amalgamation's leverage ratio was 9.1 % (8.6 %). The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Amalgamation's Tier 1 capital to total liability. The Savings Banks Amalgamation monitors excessive indebtedness as part of its capital adequacy management process.

(EUR 1,000)	31.12.2019	31.12.2018
Tier 1 capital	1,028,632	948,235
Leverage ratio exposure	11,277,141	11,035,250
Leverage ratio	9.1 %	8.6 %

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

Resolution plan

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). In May 2017 the Stability Authority decided to set a minimum requirement of own funds and eligible liabilities (MREL) at amalgamation level and this requirement has been applied starting December 31st 2018. The requirement is not applicable at the member credit institutions. The MREL requirement is in nature a Pillar 2 -type continuously required minimum requirement. The Financial Stability Authority updated the MREL requirement in August 2019 to 10.3% of total assets.

Banking segment

Credit and counterparty risks

The credit risk is the most significant risk of the Banking segment. The management and monitoring of the credit risk plays a major role when ensuring the adequacy of capital compared to business risks and losses caused by risk occurrence.

Credit risk is defined as a possibility that a counterparty may not meet its contractual obligations. The larg-est source of credit risk is lending, but credit risk (counterparty risk) may also occur from other types of receivables, such as bonds, short-term debt securities and derivative instruments, as well as off-balance sheet commitments, such as unused credit limits, and guarantees.

The key customer groups for Banking segment are retail customers, corporate (small to medium) custom-ers, forestry and agricultural customers. The major part of Banking segment funds are granted as loans to the customers.

Management of credit risk

The Board of Directors of the Central Institution steers the Banking segment's credit risk management, the methods used, as well as their monitoring and reporting by approving the credit risk strategy, other guidelines and by setting the risk limits and other thresholds. The Risk Control unit of the Central Institution monitors that the member institutions comply with these principles.

The Risk Control unit of the Central Institution is responsible for the maintenance and updating of the approved credit risk strategy in cooperation with the Risk Committee set by the Central Institution's Board of Directors. The strategy is updated at least annually or whenever the Amalgamation's operating environment, business model, regulatory and/or regulatory framework change materially.

The credit risk strategy is supported by operational level instructions and guidelines issued by the Central Institution's Board of Directors.´ The most important instructions are credit underwriting policy, collateral guidelines, guidelines for the recognition and management of problem customers, guidelines for the impairment and credit loss process and guidelines for collateral price follow up for real estates. The general credit guidelines also covering mortgage credit banking

The objective for the credit risk management is to restrict the effect of the risks arising from the exposure on the profitability and capital adequacy at the acceptable level. The Board of Directors of the Central Insti-tution defines and confirms the risk limits and thresholds used for monitoring and controlling the lending portfolio by customer and industry group as well as the quality of portfolio at the Amalgamation level.

The business strategies and the credit-underwriting policies approved by the Boards of Directors of the Amalgamation's member institutions define the maximum exposure limits to the member credit institution specific risk concentrations and steer the lending by customer groups, industries and credit ratings. The member institutions mainly grant credits within their operational areas ensuring one of the essentials features for the lending of the Savings Banks: local and comprehensive knowledge of their customers.

In the Savings Banks the Board of Directors makes the most significant credit decisions. Each Board of Di-rectors delegates the necessary lending authorities to the banks' senior management/ management team/credit committee and other named persons involved in the lending. The credit decisions are made according to the credit-underwriting policy as approved by the Board of Directors. The main principle is decision making by two persons having lending authorization. The credit decisions are based on the customers' credit worthiness, ability to pay and other criteria, for example regarding acceptable collaterals, applied to credit decision making. The loans are mainly granted with acceptable collaterals. The collaterals are valued at fair value conservatively and their fair values are regularly monitored using both statistical information and bank's comprehensive knowledge about its operating area. The Board of Directors approves the instructions and guidelines for the valuation of the different collateral types and their collateral value applied in lending. The collateral values are conservatively defined maximum amount for each collat-eral type and the evaluation of the fair value of the collateral is always done on a case-by-case basis.

The credit risk is been regularly assessed by monitoring, for example, the amount of loans in arrears and the amount of non-performing loans. The customer account managers monitor the loan and collateral position of the customer based on the payment behavior and customers other activity. The Board of Directors receives regular reporting on customer exposures and non-performing loans. The reporting includes, among other things, the risk position and its development by customers, industries and credit ratings.

Credit and counterparty risk (EUR 1,000)	31.12.2019			
Exposure group	Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable property	6,610,284			6,605,203
Retail exposures	2,073,963	530,728	43,416	1,727
Exposures to corporates	1,264,823	71,875	7,079	
Exposures to institutions	142,327			
Exposures to central governments or central banks	954,801			
Exposures in the form of units or shares in collective investment undertakings (CIUs)	359,454			
Exposures in default	83,895	2,220	1,025	371
Othe exposure groups in total	260,912		20	
Total	**11,750,459**	**604,823**	**51,541**	**6,607,301**

Credit and counterparty risk (EUR 1,000)	31.12.2018			
Exposure group	Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable property	6,321,636			6,313,443
Retail exposures	1,979,993	455,043	39,344	1,136
Exposures to corporates	1,242,741	56,348	8,027	891
Exposures to institutions	104,625			
Exposures to central governments or central banks	1,092,864			
Exposures in the form of units or shares in collective investment undertakings (CIUs)	458,226			
Exposures in default	74,326	2,186	394	38
Othe exposure groups in total	286,767		186	
Total	**11,561,179**	**513,576**	**47,951**	**6,315,508**

Credit portfolio

The loan portfolio of the Banking segment was EUR 8.975 million at the end of 2019 (EUR 8.424 million) and increased with EUR 551 million compared to previous year-end. The lending to retail customers was 73 % (74 %), to corporate customers 18 % (18 %) and to agricultural and others customers 9 % (8 %).

Breakdown of loans by customer groups (EUR 1,000)			
Customer group	31.12.2019	31.12.2018	Change %
Retail customers	6,557,720	6,223,029	5.4 %
SME corporate customers	1,655,155	1,492,768	10.9 %
Agricultural and other customers	762,340	708,421	7.6 %
Total	**8,975,216**	**8,424,218**	**6.5 %**

The lending to the retail customers is mainly granted against residential collateral and, where necessary other collateral types are used. The lending to the retail customers is operated via the balance sheets of the Savings Banks excluding the Visa credit cards operated by Central Bank of Savings Banks.

Retail portfolio

The credit worthiness of a retail customer is based on the local Savings Banks' comprehensive customer knowledge and the assessment of the customers' ability to pay. The credit decision is mainly based on the customers' sufficient repayment ability. The customers' ability to pay, the credit scoring of the application together with the loan-to-value ratio forms the basis for the credit decision and the risk-based pricing.

According to the IFRS 9 Financial instruments standard effective for reporting periods beginning on or after 1 January 2018 retail exposures are classified into nine different risk-rating classes. The table below shows the exposures of retail clients by risk classes divided into the stages 1, 2 and 3.

Credit ratings of the retail customers are mainly good and they have slightly improved during 2019. There are several reasons for the improvement of which the most significant is initiation of the debt collection process before the delay in payment reaches 30 days.

Retail exposures by rating distribution

31.12.2019 (EUR 1,000)						% of portfolio	
Description	12 kk PD	Stage 1	Stage 2	Stage 3	Total	31.12.19	31.12.18
1 Excellent	0.0 % - 0.33 %	496,660	5,057	64	501,781	7.7 %	6.0 %
2 Good	0.34 % - 0.44 %	1,406,243	15,330	888	1,422,461	21.7 %	21.5 %
3 Good	0.45 % - 1.05 %	1,938,688	52,126	3,704	1,994,518	30.4 %	29.1 %
4 Average	1.06 % - 2.00 %	1,443,203	96,772	8,689	1,548,664	23.6 %	25.0 %
5 Average	2.01 % - 3.90 %	549,239	115,045	11,445	675,729	10.3 %	11.7 %
6 Weak	3.91 % - 8.10 %	119,300	58,262	12,174	189,736	2.9 %	3.0 %
7 Past due but not impaired	8.11 % - 10.21 %	49,154	77,901	52,400	179,454	2.7 %	3.0 %
8 Past due but not impaired	10.22 % - 22.3 %	4,351	11,166	24,335	39,852	0.6 %	0.6 %
D Non-performing	100.0 %	0	0	5,526	5,526	0.1 %	0.1 %
Total		**6,006,838**	**431,658**	**119,224**	**6,557,720**	**100.0 %**	**100.0 %**

Corporate portfolio

In corporate lending the Savings Banks targets at the micro and small businesses, self-employed entrepreneurs, forestry and agricultural customers that are mainly located within the operating area of Savings Banks.

The credit risk management for these corporate, forestry, and agricultural customers are based on the customer adviser's customer analysis and internal credit rating.

For corporate customers the credit decisions and risk-based pricing of the credit are based on the analysis of customers' financial statements, customers' financial position, ability to pay, competitive positioning, credit scoring of the application and the loan-to-value ratio of the application. Additionally, the impact of intended investment on the customers' financial position is evaluated.

Self-employed entrepreneurs and sole traders are mainly classified as part of the retail exposures. Exception to this reclassification are those customer relationships where specific competences are required, in these cases the customer is included in the corporate customer group. Corporate customers includes limited liability companies, joint-stock companies and limited partnerships, associations and public entities.

According to the IFRS 9 Financial instruments standard effective for reporting periods beginning on or after 1 January 2018 retail exposures are classified into nine different risk-rating classes instead of the earlier 14. The table below shows the exposures of corporate clients by risk classes divided into the stages 1, 2 and 3.

Corporate exposures by rating distribution

31.12.2019 (EUR 1,000)						% of portfolio	
Description	12 kk PD	Stage 1	Stage 2	Stage 3	Total	31.12.19	31.12.18
1 Excellent	0.0 % - 0.45 %	407,440	3,001	435	410,876	24.8 %	15.9 %
2 Good	0.46 % - 0.65 %	469,685	18,799	329	488,813	29.5 %	22.6 %
3 Good	0.66 % - 0.84 %	239,644	17,497	1,749	258,890	15.6 %	14.5 %
4 Average	0.85 % - 1.22 %	155,345	48,930	5,053	209,328	12.6 %	25.7 %
5 Average	1.23 % - 2.43 %	105,839	78,030	18,441	202,310	12.2 %	13.8 %
6 Weak	2.44 % - 4.85 %	13,252	13,079	5,283	31,613	1.9 %	4.0 %
7 Past due but not impaired	4.86 % - 8.93 %	7,817	16,541	9,502	33,860	2.0 %	2.4 %
8 Past due but not impaired	8.93 % - 21.0 %	305	1,387	4,352	6,044	0.4 %	0.6 %
D Non-performing	100,0 %	0	0	13,421	13,421	0.8 %	0.5 %
Total		**1,399,328**	**197,263**	**58,564**	**1,655,155**	**100.0 %**	**100.0 %**

Number of housing cooperatives has significantly increased during the year 2019. This has an influence on both better rating distribution of corporate exposures and low increase in expected credit loss compared to portfolio increase.

Concentration risks

The credit risk concentrations referred to in the credit risk strategy may arise when the loan portfolio contains large amounts of loans and other exposures to the following:

- Single counterparty
- Groups consisting of single counterparties and their interest groups
- Certain industries
- Against certain collateral
- With identical maturity
- Same product/instrument

The total amount of credit granted by the Amalgamation or an individual member credit institution to a single customer and/or customer group must not exceed the maximum amounts set in the Credit Institutions Act or other acts, or the regulations given by the Financial Supervisory Authority or other regulatory authority. The concentration risks caused by an individual counterparty are restricted with limits and guide-lines related to the maximum customer exposure, both on the Amalgamation and the member credit insti-tution levels. The Amalgamation does not have any large exposures, which would be exceed the limit of 10 % of group's own assets set by EU capital adequacy regulation.

The largest counterparties of the Amalgamation are various government papers and derivate counterpar-ties due to maintain the liquidity reserves. The 20 largest exposures are together 1.8 % (1.7 %) of the total lending portfolio. The largest industries in the corporate portfolio are real estate and construction, which are 11.7 % (10.8 %) of the total loan portfolio.

Corporate exposures by industry

Industry (EUR 1,000)	31.12.2019	31.12.2018
Basic industries, fisheries and mining	6.4 %	6.3 %
Industry	5.7 %	5.8 %
Energy, water and waste disposal	0.9 %	1.1 %
Construction	9.0 %	8.8 %
Trade	7.0 %	7.6 %
Hotels and restaurants	2.9 %	3.0 %
Transport	2.9 %	3.2 %
Financing	1.6 %	1.6 %
Property	53.2 %	51.9 %
Research, consulting and other business service	5.8 %	5.7 %
Other services	4.6 %	4.9 %
Total	**100.0 %**	**100.0 %**

Certain concentration risks arise from the local and regional operative model of the Savings Banks. At the Amalgmation level single counterparty concentration risks are also managed with risk limits and thresholds set, monitored and reported for certain industries.

Non-performing loans and payment delays

The non-performing loans, payment delays and expected credit losses are followed regularly at the level of member credit institutions and at the level of the Amalgamation. The non-performing loans of the Amal-gamation levelled with the previous year and were approx. 1.5 % (1.7 %) of the loan portfolio. In certain circumstances if the customer would otherwise face financial difficulties in the future the customer may be granted a change in the terms and conditions of the loan, for example interest-only period or restructuring the loan. The reason for these arrangements is to ensure the customers' ability to pay and avoid possible credit losses. The prerequisite for granting any forbearance measures to the loans is that the customers' financial difficulties are estimated to be short-termed and temporary. The Amalgamations forbearance in total was EUR 23.8 million euros (EUR 21.7 million).

Payment delays and non-performing loans (EUR 1,000)	31.12.2019	Share (%)	31.12.2018	Share (%)
Payment delays, over 30 days	130,679	1.5 %	139,730	1.7 %
of which: 30-89 days	54,240	0.6 %	74,130	0.9 %
of which: over 90	76,439	0.9 %	65,600	0.8 %
Forberance in total	23,813	0.3 %	21,692	0.3 %

Savings Bank Group will comply with the thresholds established under Regulation EU 2018/171 for the purposes of defining insolvency as of 31 December 2020.

Expected credit losses (ECL)

Expected credit losses wre calculated on the contract level and those are divided by three different stages based on the condition of contract. In addition to the customer and contract information, the calculation will take into account future economic developments as estimated by the Savings Banks Group Chief Economist.

The Chief Economist produces the assumptions used to calculate the Probability of Default for different scenarios. The future value of real estate collaterals depend on the assumptions of the Chief Economist about real estate price movements within different scenarios. Basic, mild and deep recession scenarios are the same as used in the ICAAP calculations. Note 2 Accounting policies includes further description of the ECL model.

The contract is in stage 1, if credit risk has not increased significantly since initial recognition, and then ex-pected credit loss is calculated based on 12 months credit loss. The contract will be switched to stage 2, if credit risk has increased significantly since initial recognition and expected credit loss is then calculated based on the lifetime of the credit. Lastly, stage 3 is used if the contract has defaulted. Then expected credit loss is calculated based on the lifetime of the credit. Stage 3 includes exposures, which have one or more actual events that have a negative impact on cash flows. All the stage 3 ECL amounts are evaluated at least quarterly.

Exposure returns to stage 1, when it has fulfilled the stage 1 requirements for past 12 months. The same applies for returning to stage 2 from stage 3. All returned exposures from stage 3 to stage 2 are under the monthly evaluations of expected credit losses.

The total amount of stage 3 exposures at its starting point was EUR 27.9 million and expected credit losses for those were EUR 1.0 million. These contracts have resettled due to the weaker financial position of customer or guarantees.

Loans and receivables whose recovery is deemed impossi ble are recognized as credit losses. Credit losses are recognized in the deduction account. Non-recoverable loans and receivables are recognized as permanent credit loss and the impairment is cancelled when the normal recovery process is completed and the final amount of loss on an individual loan or receivable can be calculated.

Impairment losses on loans and receivables decreased during 2019 and were EUR 38 million at the end of the year (EUR 34 million). Expected credit losses are 0.42 % (0.39 %) of the credit portfolio, moreover, share of retail customers is 0.27 % and corporate customers 0.75 %. Amount of expected credit losses are EUR 19.5 million for retail customers, EUR 11.6 million for corporate customers and the other exposures EUR 7 million. Note 2 explains more about the level movements of expected credit losses.

The credit portfolio has mainly well-guaranteed contracts and the large part of portfolio has excess guarantees. The share of collateral shortfall is on average 2.8 % for retail and 6.8 % corporate customers.

	Stage 1		Stage 2		Stage 3		Total	
Customer group (EUR 1,000)	Expo-sure €	Collateral shortfall %	Expo-sure €	Collateral shortfall %	Expo-sure €	Collateral shortfall %	Expo-sure €	Collateral shortfall %
Retail customers	6,006,838	2.6 %	431,658	3.6 %	119,224	12.4 %	6,557,720	2.8 %
Corporate customers	1,399,353	6.1 %	197,263	8.9 %	58,540	18.4 %	1,655,155	6.8 %
Other	667,237	19.6 %	65,401	26.8 %	29,702	33.8 %	762,340	20.8 %
Total	**8,073,428**	**4.6 %**	**694,322**	**7.3 %**	**207,465**	**17.2 %**	**8,975,215**	**5.1 %**

Market risk

Market risks in banking activities arise from the banking books of the member credit institutions consisting of lending and borrowing, wholesale market funding and investment and liquidity portfolios.

In general, market risk refers to the impact of a change in market prices on the market value of financial assets and liabilities. The most important market risk in banking activities is the interest rate risk in the banking book, which is measured through both net present value and net interest income. The principles of managing interest rate risk in the banking book are described below in the section “Interest rate risk in the banking book.”

The member credit institutions of the Amalgamation do not, as a rule, engage in trading for own or customers' account. The use of derivatives is limited to hedging purposes. A member credit institution may have a so-called small trading book as defined in article 94 of the EU capital adequacy regulation. According to the definition, business related to the trading book associated with the balance sheet or off-balance sheet items of the institution must generally not exceed 5% of the total assets or be less than EUR 15 million in total. It may never be more than 6% of the total assets and no more than EUR 20 million in total. The member credit institution must arrange for regular monitoring of the small trading book limit.

Investment and liquidity portfolios

The market risk in the investment and liquidity portfolios consists of the investments' price, interest rate and currency risks. Changes in stock prices, interest rates and exchange rates affect the value and yield of the investment portfolio. The market risk in the investment portfolio is measured and followed by investment class, counterparty and sector. The investment portfolio's development and largest counterparties are reported on a regular basis to the Board of Directors and the Risk Committee.

The risks in the investment and liquidity portfolios have managed by diversifying the investments by in-vestment class, counterparty, sector and geography.

Investment portfolio*	31.12.2019		31.12.2018	
(EUR 1,000)	Fair value	Share (%)	Fair value	Share (%)
Debt securities	706,135	59.2 %	651,399	51.9 %
Other securities	2,313	0.2 %	10,756	0.9 %
Shares	41,961	3.5 %	47,308	3.8 %
Share funds	50,161	4.2 %	79,290	6.3 %
Mixed funds	2,342	0.2 %	9,951	0.8 %
Interest funds	244,603	20.5 %	321,676	25.6 %
Hedge funds	0	0.0 %	0	0.0 %
Structured investments	7,742	0.6 %	12,240	1.0 %
Other investments	73,863	6.2 %	53,351	4.2 %
Properties	64,610	5.4 %	69,567	5.5 %
Total	**1,193,730**	**100 %**	**1,255,538**	**100 %**

* Classification of one fund changed from interest funds to other investments.

The table below presents the sensitivity analysis of the investment portfolio:

Risk factor (EUR 1,000)	Change	31.12.19	31.12.18	Income*	Own funds*
Interest	+ 1%	-32,087	-28,348	-7,079	-31,782
Share	-10 %	-9,446	-13,655	-9,446	-9,446
Investment properties	-10 %	-6,461	-6,957	-	-
Structured products	-10 %	-774	-1,224	-774	-774
Other investments	-10 %	-7,386	-5,335	-7,386	-7,386

* Risk factor effect on income and own funds.

Equity risk arises primarily from the liquidity and investment portfolios of member credit institutions. Unlisted equity holdings consist mainly (87%) of intra group holdings that are not part of the amalgamation.

Equity portfolio (EUR 1,000)	31.12.2019	31.12.2018
Listed shares	10,652	13,502
Unlisted shares	31,309	33,806
Total	**41,961**	**47,308**

Currency risk refers to the impact of changes in foreign exchange rates on the bank's result or own funds. Minor foreign exchange risk may arise from the notes and coins in currencies, fund investments in the investment portfolio and the payments transactions handled by Central Bank of Savings Banks. Open curren-cy risk is not allowed in deposits from the customers or in the liquidity buffer of the member credit institutions. The currency position of a member credit institution is monitored with capital adequacy calculation method (capital need is calculated if the total net currency position is more than 2% of credit institutions total own funds).

Commodity risk refers to the impact of changes in commodity prices. The business, including investment activities, of the member credit institutions of the Amalgamation does not involve commodity risk taking.

Market risk management

Limits and thresholds have been set for market risk applicable to both individual member banks and the amalgamation.

The member credit institution and Amalgamation level capital adequacy management process (ICAAP), which allocates capital to cover market risks of the banking book in normal and stress scenarios, is also an important tool in measuring and monitoring market risks included in the banking book.

Interest rate risk in the banking book

The Amalgamation's key market risk is the interest rate risk in the banking book, which is monitored using both present value risk and income risk. The business of the Amalgamation consists of retail banking, involving an intrinsic interest rate risk. Interest rate risks arise from the banking books of member credit institutions, consisting of lending and deposits, wholesale market funding and investment portfolio. The trading books of the member credit institutions are so-called small trading books, defined in the capital adequacy regulation, with insignificant interest rate risk positions.

Interest rate risk refers to the adverse effect of interest rate changes on the market value (present value risk) or on the net interest income (income risk) of the balance sheet and off-balance sheet items.

The purpose of the management of interest rate risks is to stabilize the net interest income and present value at a level where the Amalgamation's business is profitable and to limit their fluctuations without threatening the capital adequacy even by severe changes in the interest rate environment. The Amalgamation's appetite for interest rate risk is described by the interest rate limits set by the Board of Directors of the Central Institution.

It is possible to manage interest rate risk by modifying the product and balance sheet structure, by planning the interest rate structure and maturities for investments and issued funding and by hedging with interest rate derivatives.

Member Savings Banks of the Amalgamation use interest rate derivatives such as options and swaps actively in hedging their balance sheets. Interest rate risk of derivatives is monitored separately both in present value and income risk calculations.

The Amalgamation's interest rate risks are measured using both the net interest income and the change in the present value of the balance sheet of the Amalgamation. The net present value method measures the change of the net present value of the balance sheet resulting from a change in interest rates when each balance sheet item is valued as the present value of its cash flows. The income risk model predicts the future net interest income over one year with changing market interest rates.

The table below shows the next 12 month's net interest income's sensitivity to a 1-percentage point's parallel shift in the interest rate curve. A 0% floor is applied to loan reference interest rates based on loan contract provisions. Also retail deposits are assumed to have a 0% interest rate floor. Balance sheet structure is kept static by rolling over maturing items with corresponding interest rates or corresponding maturities for fixed rate items. Demand deposits are assumed to have a modelled maturity structure.

Net interest income sensitivity to a 1 % -point parallel shift in the interest rate curve

(EUR 1,000)	Change in net interest income			
	31.12.2019		31.12.2018	
Period	Down	Up	Down	Up
Change in the coming 12 months	2,128	17,101	1,897	16,858
Change in 12-24 months	8,258	39,204	7,023	42,596

Liquidity risk

Liquidity risk is the risk that the bank is unable to meet its present or future expected or unexpected obligations as they come due, or is unable to do so without incurring unacceptable losses. The Amalgamation's business is retail banking where deposits are used to fund loans to customers.

On 31 December 2019 the Amalgamation held 1,003 (1,094) million euros (before haircuts) of LCR eligible liquid assets of which 68 % (77 %) were notes and coins and reserves held in the Bank of Finland, 20 % (16 %) were level 1 assets issued by governments and multinational organizations and 12 % (8 %) were other liquid assets. The Amalgamation's LCR was 148 % (158 %) on 31 December 2019.

The table below presents the maturity profiles of the Amalgamations's assets and liabilities. Demand deposits are assumed to mature overnight.

Assets 2019 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Cash and central bank reserves	683,111	683,111	0	0	0
Central bank eligible debt securities	404,931	6,281	35,713	177,864	185,073
Receivables from financial institutions	107,775	107,775	0	0	0
Receivables from customers and public entities	8,906,909	250,573	913,686	2,674,343	5,068,306
Other debt securities	308,949	14,690	34,474	215,787	43,998
Equity and shares	410,247	0	0	0	410,247
Other assets	259,594	248	68,616	31,305	159,424
Assets total	**11,081,515**	**1,062,679**	**1,052,489**	**3,099,299**	**5,867,049**

Liabilities 2019 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Due to credit institutions and central banks	242,011	64,652	59,779	108,889	8,690
Amounts owed to customers and public entities	6,812,283	6,173,892	550,095	86,843	1,454
Debt securities in issue	2,755,856	0	634,076	2,071,873	49,908
Subordinated liabilities	51,020	0	22,125	26,522	2,373
Other liabilities	136,591	132,756	2,408	937	489
Liabilities total	**9,997,761**	**6,371,300**	**1,268,483**	**2,295,064**	**62,914**

Derivatives, net cash flows	71,419	5,795	17,295	43,021	5,308

Derivatives settled on a gross basis have no relevant liquidity effect due to their small position.

Assets 2018 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Cash and central bank reserves	839,899	839,899	0	0	0
Central bank eligible debt securities	334,204	7,204	18,659	146,568	161,773
Receivables from financial institutions	97,029	89,147	7,882	0	0
Receivables from customers and public entities	8,492,329	414,112	661,327	2,590,403	4,826,487
Other debt securities	347,799	22,998	51,125	218,637	55,039
Equity and shares	511,232	0	0	0	511,232
Other assets	241,529	54,503	0	63,994	123,032
Assets total	**10,864,537**	**1,427,863**	**738,993**	**3,019,602**	**5,678,079**

Liabilities 2018 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Due to credit institutions and central banks	228,018	60,118	49,104	91,796	27,000
Amounts owed to customers and public entities	6,960,135	6,212,844	672,772	72,952	1,567
Debt securities in issue	2,487,601	115,515	270,242	2,091,933	9,911
Subordinated liabilities	82,200	0	31,180	51,020	0
Other liabilities	103,849	61,196	0	2,699	39,953
Financial liabilities total	**9,861,803**	**6,449,673**	**1,023,298**	**2,310,400**	**78,432**

Derivatives, net cash flows	57,282	6,115	14,904	37,273	-1,011

Derivatives settled on a gross basis have no relevant liquidity effect due to their small position.

Liquidity risk management

The Board of Directors of the Amalgamation's Central Institution has the overall responsibility for Amalgamation's liquidity strategy, setting risk appetite and management procedures related to the identification, measurement, mitigation, monitoring and control of liquidity risk. The Board of Directors of the Central Institution approves the liquidity risk strategy, the funding plan and the contingency funding plan.

The Central Bank of Savings Banks is responsible for the operational implementation of the Amalgamation level liquidity strategy, which includes drafting and maintaining the operational level guidelines. Treasury is also responsible for the operational level implementation and testing of the contingency funding plan. The Treasury manages the liquidity reserve and is responsible for ensuring that its size is within set limits. An agreement has been signed between the member Savings Banks and the Central Bank of Savings Banks that gives the Central Bank of Savings Banks the right to use all liquid assets in the amalgamation to support the Amalgamation's liquidity.

The Amalgamation's Asset and Liability Committee prepares and plans the liquidity strategy for the Board of Directors of the Central Institution and monitors the strategy's implementation at the Amalgamation level.

The Risk Control unit of the Central Institution is responsible for the independent monitoring of the Amalgamation level limits and thresholds set in the liquidity strategy and their reporting to the Central Institution's management, Asset and Liability Committee, Risk Committee and the Board of Directors.

The key tools in monitoring liquidity risk at the Amalgamation level are cash position, liquidity reserve and LCR. 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.

Structural liquidity risk

The Treasury monitors the structural liquidity risk of the Amalgamation on a monthly basis. The risk is measured using both the lending/deposit ratio and a gap analysis on a 10-year-horizon, measuring the suitability of the Amalgamation's funding structure for funding the balance sheet assets in the long run. The gap analysis assumes that the wholesale funding matures without refinancing.

Real estate risk

Real estate risk arises when the prices on the real estate market or rent levels fall and thus the Amalgamation receives lower returns on its real estate investments. Real estate investments are not core business in banking segment. In the Amalgamation real estate investments are secured with full value insurance.

Property, plant, equipment, and investment property have measured at cost less depreciation and impairment. The book values and measurement at cost are described more detail in the note for investments. (Note 22) and fair values of the investment properties in the note 40.

Operational risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, personnel, systems or external factors. Legal risks are also included in the operational risks. The various stages of lending and trading processes also involve operational risks as well credit, liquidity and market risks, which have assessed in the evaluation of operational risks at the Group and Amalgamation level. Strategic risks have here excluded from operational risks.

The Amalgamation's operations comply with the current legislation, government regulations, the rules of good banking practices as confirmed by the Federation of Finnish Financial Services and the principles of the management of operational risks, along with other internal guidelines of the Amalgamation.

The Board of Directors of the Amalgamation's Central Institution has the overall responsibility for Amalgamation-level operational risks and for defining risk levels and operational risk management procedures related to their identification, measurement, mitigation, monitoring and control. The Board of Directors of the Central Institution approves the principles and key operational guidelines of the operational risk management in the Amalgamation.

The Amalgamation has identified the operational risks associated with the most important products, services, operations, processes and systems. Identifying operational risks helps determine their monitoring and controls. Some of the losses caused by operational risks are covered by insurance. The continuity plans of member banks and product and service companies help prepare for significant interruptions in operations.

Within the Amalgamation, operational risks, realised losses and near misses are regularly reported to the management.

Legal risks

Legal risks refer to risk of loss due to an invalid contract or incomplete documentation and the risk of sanctions, liability to compensate customers and loss of goodwill due to non-compliance with laws or official regulations. The Group comply with standard terms worked out jointly by the banking and insurance industry. When finalising non-standard agreements, legal services are used and external experts are consulted when needed.

Compliance function has been established to ensure that Amalgamation comply with regulations and internal guidelines. Compliance function's responsibility is to ensure that the Amalgamation comply with laws, regulations and guidelines. Compliance function also ensures that the Amalgamation comply with its own internal guidelines, ethical principles for personnel and other instructions.

Business risk

Business risk describes the impact of uncertainties caused by the operating environment on Group's business. Business risks arise from competition, from changes in markets and customer behavior as well as from unexpected income fluctuations. Business risks can also arise by choosing a wrong strategy, ineffective management or slow response to changes in the operating environment. The strategic and business planning are the tools to manage and minimize the business risks at the Group and Amalgamation level.

Asset Management and Life insurance

Asset Management

In the Savings Banks Group, Sp-Fund Management Company Ltd engages in the management of fund products and the production of asset management services in terms of both the management of Savings Banks' own portfolios and for the customers of Savings Banks.

Fund capital managed by Sp-Fund Management Company totaled EUR 3201.7million (EUR 2.243,3 million). The total number of investment funds managed at the end of 2019 was 22 investment fund and 10 special investment fund.

Life insurance

The most significant risks in life insurance concern insurance contracts and investment operations. The risks related to insurance contracts are the insurance risk, the interest rate risk and the expense risk. The technical bases applied to life insurance products in accordance with the Insurance Companies Act are prudent which means that, under normal conditions, the pricing in accordance with the technical bases produces surplus for the company.

Profitability of life insurance

(EUR 1,000)	31.12.2019			31.12.2018
	Risk premiums	Claims incurred	Claims ratio	Claims ratio
Risk insurance	3,226	1,430	44.3 %	68.2 %
Savings and pension insurance	22,108	21,019	95.1 %	96.3 %
Total	**25,334**	**22,449**	**88.6 %**	**92.3 %**

Insurance risk

The most significant insurance risks have linked to pure risk products. These products include loan insurance, which covers death, permanent disability and accidental permanent disability. Such risks have managed by the insurance terms and conditions, careful selection of risks, correct pricing and reinsurance. In permanent disability and in accidental permanent disability insurance, it is possible to increase the contributions for the existing insurance portfolio when the claims ratio weakens. In terms of the selection of risks, we have determined clear grounds for taking insurance risks. The company follows in the risk selection process instructions prepared by the reinsurer.

The sum insured exceeding certain level have reinsured and the existence of the reinsurance cover is dependent on continuous compliance with the existing instructions. The Board of Directors confirms the principles of reinsurance and the excess annually. In the same context, the credit risk related to the reinsurer is assessed.

Interest rate risk

The interest rate risks of life insurance are related to either the interest rate credited for contracts or then the interest rate credited for technical provisions. In savings products, the company uses a combination of annual interest and additional interest confirmed annually. This enables adaptation to current market situations by annually adjusting the interest rate credited to customers on market terms. This significantly reduces the interest rate risk incurred from insurance contracts. According to the principle of reasonableness, the company shall seek balanced income for contracts with guaranteed interest. The company has prepared for this by interest supplements.

Expense risk

The company's products have priced in terms of the expense loadings received from the products to cover the expenses incurred. The expense loadings have dimensioned based on product lifecycle thinking, whereby the expense loadings received from the contracts have allocated over the entire lifetime of the contract. With regard to life insurance, company analyses the profitability of insurance products at least once a year, based on which the premiums and loading of the insurance policies granted is assessed. The analysis indicates the sufficiency of the risk premiums received to cover the claims incurred, the sufficiency of the expense loadings to cover the expenses and the compatibility of the interest paid with the investment income received. By means of the analysis, company annually monitors the sufficiency of the pricing by insurance product and takes the necessary corrective steps.

Sensitivity analysis of technical provisions

The insurance portfolio includes risk insurances and savings insurances. Risk insurance policies are life insurance policies linked to loans granted by sales channels, the related cover of which may include permanent disability or accidental permanent disability insurance policies. Savings insurance policies include endowment policies, pension and group pension insurance policies and capitalization agreements. The company does not have the possibility to affect the premiums for, or other terms and conditions of, already granted insurance policies materially.

Risk insurance policies have related to mortality and disability risks. This risk is managed by the appropriate selection of risks, profitability of business-related underwriting risk and reinsurance. The largest insured-specific sum insured on company own responsibility is currently EUR 150,000 with regard to both life and disability risks. In addition, the company has catastrophe cover, which restricts the maximum amount of damage incurred from one loss event to EUR 500,000.

The majority of the savings insurance base is unit-linked, but all insurance contracts include an option to transfer the savings between the unit-linked and the guaranteed interest savings part. In recent years, this option has been used so that net savings have been transferred from the guaranteed interest savings part to the unit-linked part. Savings insurance policies include a surrender option, which is restricted by terms and conditions during the first three years of the contracts. In addition, any surrender is restricted by tax legislation with regard to pension insurance. The majority of endowment insurance policies end with surrender, and it is taken into account in the lifecycle of the contract. The third uncertainty factor related to savings insurance policies is the right of the policyholder to change the payment plan of the insurance. Changes to the payment plan have not been restricted in the terms and conditions.

The guaranteed interest savings insurance policies have discounted using a contract-specific interest rate, which is not a market rate. The contract-specific interest rate varies between 0% and 0.5%. In 2019, it was an average of 0.13 %. EUR 10.1 million has been reserved for future discretionary bonuses included in technical provisions, which is estimated to cover 80 per cent of the future discretionary bonuses during the next eleven years.

Risks of investment operations

The objective of the investment operations of life insurance is to achieve the best possible continuous income at an acceptable risk level, while at the same time securing the company's capital requirements and the compatibility of the structure of assets and liabilities. The most significant risks are the decline in the value of investments, an insufficient level of returns for the requirements set by technical provisions and the reinvestment risk of investment assets falling due. Risks have managed by efficient diversification, while at the same time taking into account the regulation related to assets covering technical provisions. The value of the assets covering technical provisions shall continuously be as large as the amount to be covered according to the provisions of the Insurance Companies Act.

Distribution of investment assets

Type of investment (EUR 1,000)	31.12.2019	31.12.2018
Bonds		
Bonds	2,108	3,452
Fixed-income funds	114,855	131,558
Shares, Developed markets		
Shares	14,639	12,884
Equity funds	21,170	27,042
Structured investments	2,124	1,797
Hedge funds	15	15
Real estate		
Real estate	0	0
Real estate funds	14,838	6,667
Bank receivables in investments	5,582	5,146
Derivatives	0	0
Total	**175,330**	**188,561**

Interest rate risk

Bond and fixed income fund investments according to modified duration

Modified duration (EUR 1,000)	31.12.2019	Share	31.12.2018	Share
0 - 1	16,899	14 %	5,519	5 %
1 - 3	27,779	24 %	15,874	14 %
3 - 5	25,394	22 %	28,551	25 %
5 - 7	16,198	14 %	25,414	22 %
7 - 10	10,763	9 %	17,773	15 %
10 -	19,928	17 %	23,200	20 %
Total	**116,961**	**100 %**	**116,331**	**100 %**

Counterparty risk

Bonds and structured loans according to maturity and credit rating (EUR 1,000)

Credit rating	Maturity						31.12.2019		31.12.2018	
	0 - 1	1 - 3	3 - 5	5 - 7	7 - 10	10 -	Total	Share	Total	Share
AAA	791	222	1,432	127	646	582	3,799	3 %	5,133	4 %
AA	589	550	1007	1,821	2,777	8,458	15,202	13 %	11,302	10 %
A	3317	3,621	2,989	2,083	1,689	2160	15,859	14 %	17,272	15 %
BBB	1,928	4,256	5,825	7,586	4,620	5,375	29,590	25 %	41,109	35 %
< BBB	95	2,659	8,074	6,090	3,515	2,909	23,342	20 %	37,861	32 %
Unclassified	8,697	4,082	5,181	4100	3001	4108	29,170	25 %	5,315	5 %
Total	**15,416**	**15,390**	**24,509**	**21,806**	**16,248**	**23,594**	**116,962**	**100 %**	**117,992**	**100 %**

Currency risk

Investments by currency

Currency (EUR 1,000)	31.12.2019	Share	31.12.2018	Share
EUR	162,059	92 %	143,096	84 %
USD	6,664	4 %	13,781	8 %
GBP	1,255	1 %	5,025	3 %
Others	5,353	3 %	7,855	5 %
Total	**175,331**	**100 %**	**169,757**	**100 %**

On 31 December 2019, fund investments in euro-hedged funds have classified to be euro-denominated. The currencies in other funds have based on the quotation currencies of the securities included in the fund.

To protect parts of investment assets, it is also possible to use derivatives for hedging purposes, as necessary. The investment risk is monitored through sensitivity analyses and through the value-at-risk technique. Issuer manages the credit risk of investment operations and counterparty limits.

Sensitivity analysis

(EUR 1,000)		Change in capital requirement	
Risk factor	Change	31.12.2019	31.12.2018
Interest	+ 1 %-point	-1,960	-7,707
	- 1 %-point	-982	1,108
Share	-10 %	-3,581	-3,563
Real estate	-10 %	-1,484	-991
Currency	Others/Euro -10 %	-1,327	-2,666
Structured loans	-10 %	-212	-166

PROFIT FOR THE PERIOD

NOTE 6: SEGMENT INFORMATION

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

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

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

The Banking segment comprises the member Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc.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.

Asset Management Services and Life Insurance 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 (presented in Note 2).

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	-136,996	-10,670	-147,666
Total operating expenses	**-200,988**	**-17,878**	**-218,866**
Expected credit losses 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 (EUR 1,000)			
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 Management and Life Insurance	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**
Expected credit losses 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 7: NET INTEREST INCOME

(EUR 1,000)	1-12/2019	1-12/2018
Interest income		
Debt 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 8: 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 9: 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**

	1-12/2019	1-12/2018
Net income from financial assets at fair value through profit or loss		
Debt securities		
Capital gains and losses	207	161
Fair value gains and losses	1,555	-3,004
Shares and participations		
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.

	1-12/2019	1-12/2018
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**

	1-12/2019	1-12/2018
Net investment income	**36,668**	**-19,352**

NOTE 10: 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
Reinsurers' share		
Change in insurance contract liabilities		
Change in life insurance provision	-88,306	6,062
Reinsurers' share		
Other	-2,095	-1,826
Net life insurance income	**15,426**	**13,163**

Premiums written (EUR 1,000)	1–12/2019	1–12/2018
Premiums written from insurance contracts		
Premiums written from risk insurance contracts		
Risk insurance	10,482	8,900
Total	10,482	8,900
Premiums written from insurance contracts with entitlement to discretionary portion of surplus		
Savings insurance	1,384	1,649
Voluntary pension insurance	391	430
Voluntary group pension insurance	51	46
Total	1,826	2,126
Premiums written from unit-linked insurance contracts		
Savings insurance	52,261	59,562
Voluntary pension insurance	4,303	4,505
Voluntary group pension insurance	904	593
Capitalization agreement	10,843	17,017
Total	68,311	81,678
Total	**80,619**	**92,704**
Premiums written from investment contract		
Premiums written from unit-linked investment contracts	21,985	39,702
Total	**21,985**	**39,702**
Total premiums written	**102,604**	**132,405**

Term insurances include regular premium endowment policies, where the payments are charged from customers annually. Other insurances comprise flexible premium endowment policies. The policyholder can make payment plans or abnormal payments to those insurances. The policyholder may change their payments freely.

Net investment income (EUR 1,000)	1-12/2019	1-12/2018
Net Interest income	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**

Benefits paid (EUR 1,000)	1-12/2019	1-12/2018
Benefits paid from insurance contracts		
Benefits paid from insurance contracts	-1,859	-1,026
Benefits paid from insurance contracts entitling to discretionary portion of surplus		
Savings insurance		
Maturities	-160	-251
Death benefits	-6,666	-6,031
Surrenders	-5,458	-4,588
Total	-12,284	-10,871
Personal pension insurance		
Annuities	-747	-603
Death benefits	-95	-3
Surrenders	-47	-61
Total	-890	-667
Group pension insurance		
Annuities	-150	-81
Death benefits	-3	
Surrenders	-1	
Total	-152	-81
Capital redemption contracts		
Maturities		
Surrenders	-5,638	-5,433
Total	-5,638	-5,433

Benefits paid (EUR 1,000)	1-12/2019	1-12/2018
Benefits paid from unit-linked insurance contracts		
Savings insurance		
Maturities	-457	-397
Death benefits	-13,170	-12,304
Surrenders	-38,205	-24,995
Total	-51,832	-37,696
Voluntary pension insurance		
Annuities	-1,486	-1,176
Death benefits	-85	-158
Surrenders	-792	-644
Total	-2,363	-1,979
Voluntary group pension insurance		
Annuities	-105	-97
Surrenders	-5	-37
Total	-110	-134
Total benefits paid from insurance contracts	**-75,130**	**-57,887**
Benefits paid from investment contracts		
Death benefits	-955	-1,259
Surrenders	-18,602	-11,615
Total	-19,557	-12,874
Total benefits paid from investment contract	**-19,557**	**-12,874**
Total direct insurance	**-94,687**	**-70,761**
Total benefits paid	**-94,687**	**-70,761**

Change in insurance contract liabilities

Change in liabilities for insurance policies 2019 (EUR 1,000)	Provsion 1 Jan 2019	Premi-ums	Claims, part of deposit	Claims, part of risk	Interest and chan-ges in fair value	Other charges and credits	Other items	Pro-vision 31 Dec 2019
Other than unit-linked contract liabilities								
Insurance liability discounted with interest rate guarantee	103,792	1,384	-13,329	-30	1,339	-740	-864	91,551
Bonus reserves	7,825						2,252	10,077
Reserve for decreased discount rate	3,850						79	3,929
Reserve for increased operating costs	4,417						-1,747	2,670
Risk insurance liability	1,538	10,482		-1,814	1	-10,477	1,410	1,141
Unit-linked contract liabilities								
Liabilities for unit-linked insurance contracts	472,591	32,064	-53,002	-15	66,619	-3,714	20,245	534,788
Liabilities for unit-linked investment contracts	204,712	58,674	-26,497		29,057	-2,355	-19,051	244,540
Reserve arising from liability adequacy test								
Total	**798,725**	**102,604**	**-92,828**	**-1,859**	**97,016**	**-17,285**	**2,325**	**888,697**

Change in liabilities for insurance policies 2018 (EUR 1,000)	Provsion 1 Jan 2018	Premi-ums	Claims, part of deposit	Claims, part of risk	Interest and chan-ges in fair value	Other charges and credits	Other items	Pro-vision 31 Dec 2018
Other than unit-linked contract liabilities								
Insurance liability discounted with interest rate guarantee	110,902	2,125	-11,570	-36	1,814	-787	1,343	103,792
Bonus reserves	9,037						-1,212	7,825
Reserve for decreased discount rate	3,970						-120	3,850
Reserve for increased operating costs	4,161						256	4,417
Risk insurance liability	694	8,900	-2	-1,024	1720,27	-8,921	1,890	1,536
Unit-linked contract liabilities								
Liabilities for unit-linked insurance contracts	515,279	72,607	-43,724	-16	-37,048	-4,191	-30,316	472,591
Liabilities for unit-linked investment contracts	156,505	48,802	-14,423		-14,015	-1,731	29,574	204,712
Reserve arising from liability adequacy test								
Total	**800,548**	**132,435**	**-69,719**	**-1,076**	**-49,249**	**-15,631**	**1,416**	**798,723**

NOTE 11: INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS

(EUR 1,000)	1-12/2019	1-12/2018
Interest income on		
Classified at amortised cost	146,668	142,853
Fair value through other comprehensive income	12,518	14,162
Total interest income arising from financial assets not measured at fair value through profit or loss	**159,187**	**157,015**
Financial assets at fair value through other comprehensive income		
Dividend income	82	11
Reclassified from OCI	1,622	3,888
Financial assets at fair value through profit or loss		
Interest income	27,463	29,788
Dividend income	3,329	
Change in fair value, net	33,570	
Cash flow hedges - ineffective portion of changes in fair value	65	
Cash flow hedges - reclassified from OCI		-199
Finance income	**225,318**	**190,503**
Financial liabilities measured at amortized cost - interest expense	-28,651	-30,235
Amortized costs investments - impairment loss	179	21
Fair value through other comprehensive financial assets - impairment loss	-1,296	-270
Loan receivables - impairment loss	-7,262	-3,619
Financial assets at fair value through profit or loss		
Fair value through profit or loss	-2,868	-55,499
Finance expenses	**-39,898**	**-89,602**
Net income and expenses from financial instruments	**185,420**	**100,901**

NOTE 12: 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 amounting to EUR 11,9 million from the divestment of the holding in Samlink Oy Ab and refund of the contribution to the old Deposit Guarantee Fund amounting to EUR 6.474 thousand

The Savings Banks Group and other owners of Samlink Oy 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 from net to gross basis. The refund of amounts contributed to the former Deposit Guarantee Fund is presented in Other operating revenue, whereas the yearly contributions to the new deposit guarantee and stability fund are presented in Other operating expenses.

NOTE 13: PERSONNEL EXPENSES

(EUR 1,000)	1-12/2019	1-12/2018
Wages and salaries	-72,369	-68,362
Pension expenses		
Defined contribution plans	-12,553	-12,280
Defined benefit plans	-518	-801
Other personnel related costs	-1,788	-2,118
Personnel expenses	**-87,228**	**-83,561**
Full-time	1,153	1,166
Part-time	92	64
Temporary	146	179
Total	**1,391**	**1,409**
Number of employees converted to FTEs	1,315	1,396
Average number of FTEs during the financial year	1,344	1,397

Remuneration

Pillar III information on remuneration is presented in the table below. The Remuneration policy is described in more detail in Corporate governance policies.

2019 Salaries and remuneration (EUR 1,000)	Fixed salaries	Variable renumeration
Top management	4,208	299
Risk takers	9,719	839
Others	52,381	3,630

2018 Salaries and remuneration (EUR 1,000)	Fixed salaries	Variable renumeration
Top management	4,469	478
Risk takers	9,599	887
Others	48,764	3,846

Remuneration is paid in accordance with the Savings Banks Group's general remuneration principles.

Total salaries and remuneration by business segments.

2019 (EUR 1,000)	Banking	Asset Management Services	Other	Total 2019	Total 2018
Fixed salaries	48,746	5,649	11,913	66,308	62,831
Variable remuneration	3,542	468	759	4,768	5,211
Number of employees	1,044	78	269	1,391	1,409

The compensation paid by the Savings Banks Group for termination of employment contracts is determined in accordance with legislation in force.

No signing bonuses have been paid to new emplyees during the financial year.

During the financial year a total of EUR 447 (144) thousand of redundance payments have been paid to 16 (11) persons.

The Savings Banks Group does not apply the provisions of Chapter 8, Sections 9, 11 and 12, of the Act on Credit Institutions to those employees whose variable remuneration for one year does not exceed EUR 50 thousand.

If the amount of variable compensation exceeds EUR 50 thousand, it is taken into account that at least half of the compensation must be effected in non-cash form.

During the financial year no salaries or remunerations have been granted that would have been postponed due to the above criteria and no postponed salaries or remunerations have been paid during the financial yearwhich would have been granted and postponed in previous financial years.

NOTE 14: OTHER OPERATING EXPENSES

(EUR 1,000)	1-12/2019	1-12/2018
Other administrative expenses		
Other personnel expenses	-7,390	-7,249
Office expenses	-8,589	-7,336
ICT expenses	-47,150	-43,725
Telecommunications	-5,244	-4,624
Representation expenses	-431	-477
Marketing	-7,425	-8,330
Payment card expenses	-9,759	-7,949
Total	**-85,988**	**-79,690**
Other operating expenses		
Rental expenses	-2,431	-4,924
Expenses arising from owner-occupied property	-6,446	-5,887
Other operating expenses**	-16,705	-10,527
Total	**-25,582**	**-21,338**
Other operating expenses	**-111,569**	**-101,029**
**** Audit fees**		
Statutory audit	-448	-399
Audit related services	-93	-50
Tax advisory	-34	-11
Other services	-326	-104
Total	**-902**	**-564**

** The amount of other than audit services delivered by KPMG Oy Ab to the companies consolidated into the Savings Banks Group were EUR 450 thousand during the financial period 2019.

Presentation of amounts contributed to the Deposit Guarantee Fund has been changed from the previous financial period from net to gross basis. The refund of amounts contributed to the former Deposit Guarantee Fund is presented in Other operating revenue, whereas the yearly contributions to the new deposit guarantee and stability fund are presented in Other operating expenses.

NOTE 15: DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(EUR 1,000)	1-12/2019	1-12/2018
Depreciation and amortisation of property, plant and equipment	-10,348	-5,563
Depreciation and amortisation of intangible assets	-5,327	-7,565
Total depreciation and amortisation	**-15,675**	**-13,128**
Impairment of property, plant and equipment	-1 836	
Total impairment	**-1 836**	
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	**-17,511**	**-13,128**

Right of use assets recognized under IFRS 16 Leases standard are presented in note 42.

NOTE 16: IMPAIRMENT LOSS ON FINANCIAL ASSETS

Financial asset within the scope of accounting for expected credit losses by impairment stage (EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial asset 31 December 2019				
Investment assets	676,749	1,500	210	678,459
Loans and advances	8,073,404	694,343	207,469	8,975,216
Off-balance sheet items	557,131	20,782	1,640	579,553
Total	**9,307,283**	**716,625**	**209,320**	**10,233,228**
Financial asset 31 December 2018				
Investment assets	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 items	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	-1,470	-2,741
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 assets	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 items	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 assets	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**

NOTE 17: INCOME TAXES

(EUR 1,000)	1-12/2019	1-12/2018
Current tax	-16,998	-7,911
Tax for prior years	-36	-42
Change in deferred tax assets	-1,930	-1,809
Change in deferred tax liabilities	-1,642	4,045
Income taxes	**-20,606**	**-5,717**
Other direct taxes	-69	-51
Total income taxes	**-20,675**	**-5,767**

Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate

Reconciliation of effective tax rate		
Accounting profit before tax	94,807	36,408
Differences between accounting and taxable profit	-3,166	-7,386
Taxable profit	**91,641**	**29,022**
Tax using the domestic corporation tax rate	-18,961	-7,282
Tax-exempt income	718	703
Non-deductible expenses	-537	-59
Unrecognised deductible expenses	745	959
Unrecognised taxable income	-3,182	-656
Use of approved tax losses for prior years	579	665
Recognition of previously unrecognised tax losses		-57
Tax for prior years	-36	-42
Tax expense	**-20,675**	**-5,767**
Corporate income tax rate	**20 %**	**20 %**

More information on deferred taxes is presented in Note 27.

NOTE 18: 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 amortised 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.

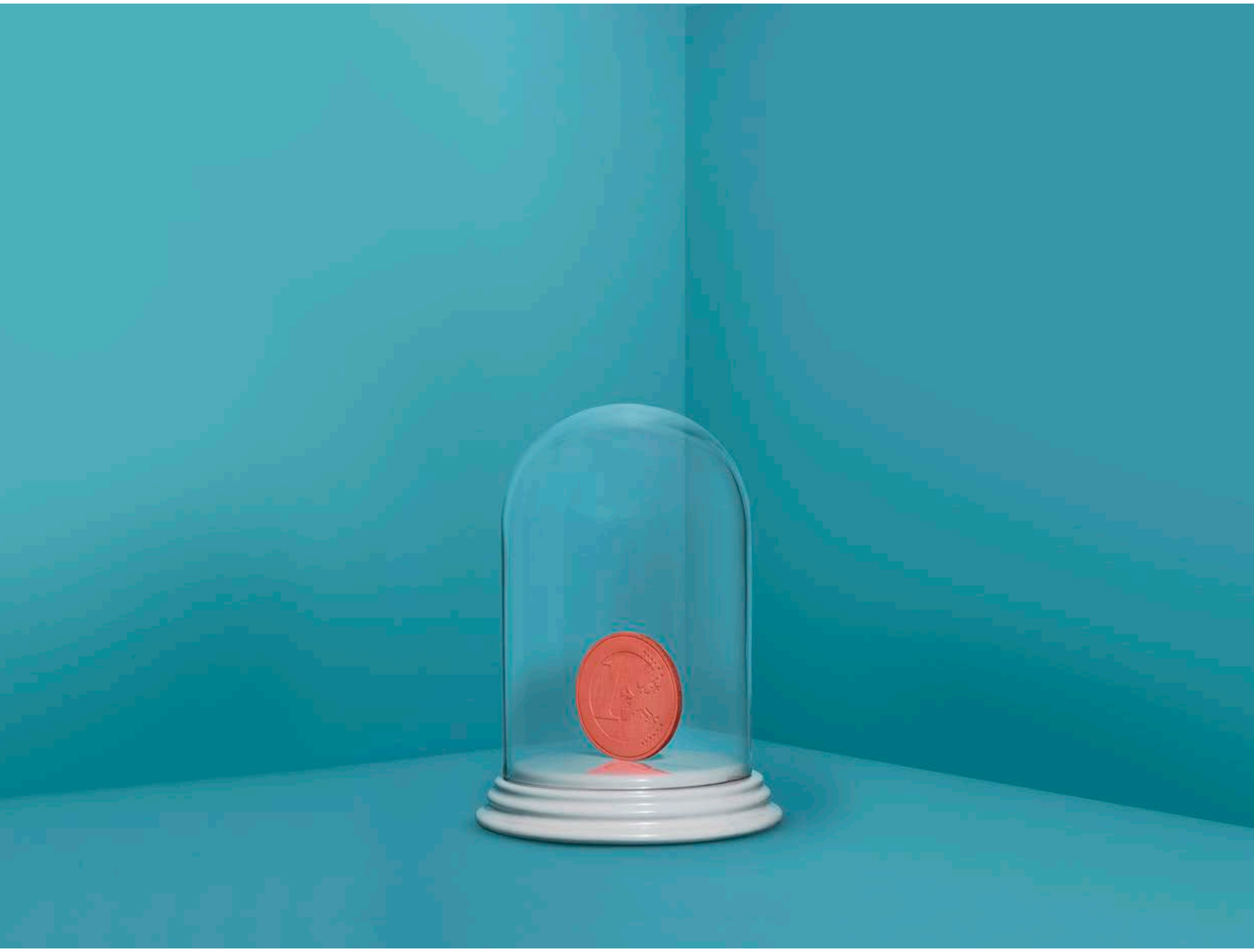
31.12.2018 (EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and cash equivalents	15,980		823,612			839,592
Financial assets at fair value through profit or loss			65,057			65,057
Loans and advances to credit institutions	91,988					91,988
Loans and advances to customers	8,486,767		508			8,487,276
Derivatives			51,134			51,134
hedging derivatives			51,134			
cash flow			3,566			
fair value			47,568			
other than hedging derivatives						
Investment assets	42,146	585,889	480,440		42,723	1,151,199
Life insurance assets*		162,787	677,373		1,540	841,700
Total assets	**8,636,881**	**748,677**	**2,098,125**		**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			
fair value			1,981			
Debt securities issued				2,488,147		2,488,147
Life insurance liabilities*			677,303	121,420	3,073	801,796
Subordinated liabilities				82,288		82,288
Total liabilities			**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 19: CASH AND CASH EQUIVALENTS

(EUR 1,000)	31.12.2019	31.12.2018
Cash	14,096	15,980
Receivables from central banks repayable on demand	666,315	823,612
Cash and cash equivalents	**680,411**	**839,592**



NOTE 20: LOANS AND ADVANCES

31.12.2019 (EUR 1,000)	Gross carrying amount	Provision for expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	110,450		110,450
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)	Gross carrying amount	Provision for 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			
Tuotteittain			
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
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 21: 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 trading 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 22: 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 (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	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 23: 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		
Premium receivables	340	
Other receivables	723	1,290
Accrued income	383	250
Total	**1,446**	**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**		**692**	**676,681**	

NOTE 24: INVESTMENTS IN ASSOCIATES

Information on the material associates of the Group:

Name	Domicile	Sector	Ownership (%)	Share of votes (%)	Ownership (%)	Share of votes (%)
			31.12.2019	31.12.2019	31.12.2018	31.12.2018
Paikallispankkien PP-laskenta Oy	Espoo	Account management and financial services	25,00	25,00	25,00	25,00

Paikallispankkien PP-laskenta Oy's business sector is to provide services of financial management, payroll computation, risk management and accounting, including related training-, advisory and information services for fiancial sector organizations and their subsidiaries and center organizations. Paikallispankkien PP-laskenta Oy is Savings Bank Group's associated company since 31 August 2018.

Summarised financial information about material associates based on the companies' own financial statements:	Paikallispankkien PP-laskenta Oy
(EUR 1,000)	2019
Total assets	1,533
Total liabilities	-1,388
Revenue	10,615
Total operating revenue	10,615
Profit or loss	-209
Other comprehensive income	
Total comprehensive income	-209
Dividends received from the associate during the period	

Reconciliation of the summarised financial information of the associate to the carrying amount in the Group's statement of financial position:	
Net assets of the associate	145
Group ownership	
Adjustments	-36

Joint arrangements

The Savings Banks Group has no material joint arrangements.

Mutual real estate companies and housing companies are treated in the Group's financial statements as joint operations. These companies include both investment properties and owner-occupied properties. Five mutual real estate companies are considered as material from the perspective of the Savings Banks Group, but their share of the Group's balance sheet is only limited.

Information about the material joint operations of the Savings Banks Group is presented below:

Name	Domicile	Ownership 2019	Ownership 2018
Kiinteistö Oy Ikaalisten Säästökeskus	Ikaalinen	90.80 %	90.80 %
Asunto Oy Salamankulma	Turku	37.01 %	37.01 %
Kiinteistö Oy Liedon Liikekeskus	Lieto	85.70 %	85.70 %
Kiinteistö Oy Lohjan Pankkitalo	Lohja	100.00 %	100.00 %
Kiinteistö Oy Iisalmen Pohjolankatu 6	Iisalmi	100.00 %	100.00 %

NOTE 25: PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	31.12.2019	31.12.2018
Owner-occupied property		
Land and water	1,087	987
Buildings	38,485	44,332
Machinery and equipment	4,484	5,309
Other tangible assets	847	838
Advance payments and construction in progress	1,478	426
Property, plant and equipment	**46,381**	**51,892**

31.12.2019					
Changes in property, plant and equipment (EUR 1,000)	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 January	94,514	39,220	1,819	426	135,979
Increases		1,040	63	1,051	2,154
Decreases	-2,797	-28	-18		-2,844
Transfers between items					
Revaluation	137				137
Acquisition cost 31 December	**91,854**	**40,232**	**1,864**	**1,478**	**135,427**
Accumulated depreciation and impairments 1 January	-49,195	-33,911	-981		-84,086
Depreciation for the financial year	-3,087	-1,836	-36		-4,959
Impairments for the financial year					
Decreases					
Accumulated depreciation and impairments 31 December	**-52,282**	**-35,748**	**-1,017**		**-89,046**
Carrying amount 31 December	**39,572**	**4,484**	**847**	**1,478**	**46,381**

Right of use assets recognized under IFRS 16 Leases standard are presented in note 42.

31.12.2018					
Changes in property, plant and equipment (EUR 1,000)	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 January	92,857	37,025	1,800	602	132,284
Increases	1,717	2,195	19	1,045	4,976
Decreases	-3			-616	-620
Transfers between items	-57			-605	-662
Revaluation					
Acquisition cost 31 December	**94,514**	**39,220**	**1,819**	**426**	**135,979**
Accumulated depreciation and impairments 1 January	-46,119	-32,102	-951		-79,173
Depreciation for the financial year	-3,073	-1,809	-29		-4,911
Impairments for the financial year	-3				-3
Decreases					
Accumulated depreciation and impairments 31 December	**-49,195**	**-33,911**	**-981**		**-84,086**
Carrying amount 31 December	**45,319**	**5,309**	**838**	**426**	**51,892**

NOTE 26: INTANGIBLE ASSETS

(EUR 1,000)	31.12.2019	31.12.2018
Intangible rights	18,363	23,703
Other intangible assets	61	103
Intangible assets under development	19,038	11,463
Intangible assets	**37,462**	**35,268**

The impairment testing of intangible assets under development have been performed by using market based approach and there was no indicators of impairment.

Intagible rights and intangible assets under development formed a significant part of information systems acquired from external operators.

31.12.2019				
Changes in intangible assets (EUR 1,000)	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	62,920	490	11,463	74,873
Increases	5,580		7,775	13,354
Decreases	-61	-20	-199	-280
Transfers between items				
Acquisition cost 31 December	**68,439**	**470**	**19,038**	**87,947**
Accumulated depreciation and impairments 1 January	-39,217	-387		-39,604
Depreciation for the financial year	-10,695	-22		-10,717
Decreases	-164			-164
Accumulated depreciation and impairments 31 December	**-50,076**	**-409**		**-50,485**
Carrying amount 31 December	**18,363**	**61**	**19,038**	**37,462**

31.12.2018				
Changes in intangible assets (EUR 1,000)	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	42,003	409	16,114	58,526
Increases	8,475	81	8,347	16,904
Decreases			-232	-232
Transfers between items	12,442		-12,767	-325
Acquisition cost 31 December	**62,920**	**490**	**11,463**	**74,873**
Accumulated depreciation and impairments 1 January	-31,184	-387		-31,572
Depreciation for the financial year	-8,033			-8,033
Decreases				
Accumulated depreciation and impairments 31 December	**-39,217**	**-387**		**-39,604**
Carrying amount 31 December	**23,703**	**103**	**11,463**	**35,268**

NOTE 27: DEFERRED TAXES

(EUR 1,000)	31.12.2019	31.12.2018
Deferred tax assets	2,485	5,397
Income tax receivables	1,387	7,622
Tax assets	**3,873**	**13,019**
Deferred tax liabilities	56,540	51,738
Income tax liability	3,415	707
Tax liability	**59,955**	**52,446**

(EUR 1,000)	31.12.2019	31.12.2018
Deferred tax assets		
Impairments	392	2,430
Financial assets	2,735	2,880
Property, plant and equipment	1,463	1,458
Defined benefit pension plans	503	320
Approved tax losses	798	1,152
Other	1,307	759
Netting of deferred taxes	-4,713	-3,601
Total	**2,485**	**5,397**

(EUR 1,000)	31.12.2019	31.12.2018
Deferred tax liabilities		
Appropriations	52,109	48,757
Impairment	492	267
Financial assets	7,251	4,640
Cash flow hedges	563	638
Intangible assets	71	322
Equalisation provision of insurance business	767	710
Other		5
Netting of deferred taxes	-4,713	-3,601
Total	**56,540**	**51,738**

2019 (EUR 1,000)	1.1.2019	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2019
Deferred tax assets								
Impairment	2,430	-2,038						392
Financial assets	2,880	-7	-137					2,735
Cash flow hedges								
Property, plant and equipment	1,458	6						1,463
Defined benefit pension plans	320				184			503
Approved tax losses	1,152	-354						798
Other	759	570					-23	1,307
Netting of deffered taxes	-3,601						-1,112	-4,713
Total	**5,397**	**-1,824**	**-137**		**184**		**-1,135**	**2,485**

2019 (EUR 1,000)	1.1.2019	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2019
Deferred tax liabilities								
Appropriations	48,757	3,352						52,109
Impairments	267	225						492
Financial assets	4,640	1,118	1,493					7,251
Cash flow hedges	638			-75				563
Intangible assets	322	-251						71
Property, plant and equipment	710	57						767
Equalisation provision of insurance business	5	-5						
Other	-3,601						-1,112	-4,713
Total	**51,738**	**4,496**	**1,493**	**-75**			**-1,112**	**56,540**

2018 (EUR 1,000)	1.1.2018	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2018
Deferred tax assets								
Impairment	2,135	249	47					2,430
Financial assets	1,919		961					2,880
Property, plant and equipment	1,748	-290						1,458
Defined benefit pension plans	648				-328			320
Approved tax losses	1,338	-186						1,152
Other	772	-13						759
Netting of deffered taxes	-6,300						2,699	-3,601
Total	**2,260**	**-241**	**1,008**		**-328**		**2,699**	**5,397**

2018 (EUR 1,000)	1.1.2018	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2018
Deferred tax liabilities								
Appropriations	47,530	1,227	214					48,971
Impairments	53		-8,780					-8,727
Financial assets	13,071	349						13,420
Cash flow hedges	717			-79				638
Intangible assets	716	-394						322
Property, plant and equipment	1,478	-767						710
Equalisation provision of insurance business	5							5
Other	-6,300						2,699	-3,601
Total	**57,270**	**415**	**-8,567**	**-79**			**2,699**	**51,738**

NOTE 28: OTHER ASSETS

(EUR 1,000)	31.12.2019	31.12.2018
Payment transfer receivables	280	236
Accrued income and prepaid expenses		
Interest	29,508	30,786
Other accrued income and prepaid expenses	9,117	8,650
Other	11,886	29,155
Other assets	**50,790**	**68,826**

NOTE 29: 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 before tax for the reporting period."

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

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

LIABILITIES AND EQUITY

NOTE 30: FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR 1,000)	31.12.2019	31.12.2018
Other financial liabilities at fair value through profit or loss*	3,909	20,575
Financial liabilities at fair value through profit or loss	**3,909**	**20,575**

* The item includes the other owners' interests in the consolidated mutual funds of which more information in presented in note 43 Entities consolidated in Savings Banks Group's financial statements.

NOTE 31: 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 32: DEBT SECURITIES ISSUED

(EUR 1,000)	31.12.2019	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 any delays or defaults in respect of its issued debt securities.

NOTE 33: LIFE INSURANCE LIABILITIES

(EUR 1,000)	31.12.2019	31.12.2019
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 for insurance policies (EUR 1,000)	Liability 2019	Number of contracts 2019	Duration 2019
Other than unit-linked contracts			
Guaranteed-interest insurance contracts			
Savings insurance			
Rate of guaranteed interest 3.5 %	3,019	36	9,6
Rate of guaranteed interest 2.5 %	14,390	344	8,9
Rate of guaranteed interest 0.0 %	74,411	1,801	8,1
Individual pension insurance			
Rate of guaranteed interest 3.5 %	1,939	107	6,7
Rate of guaranteed interest 2.5 %	6,474	620	11,1
Rate of guaranteed interest 0.0 %	6,512	455	18,2
Group pension insurance (defined contribution, rate of guaranteed interest 0.0 %)	1,818	102	5,4
Term insurance	1,140	35,506	4,1
Unit-linked contracts			
Unit-linked insurance contracts			
Savings insurance	399,227	13,582	11,8
Individual pension insurance	97,341	10,263	20,4
Group pension insurance	3,927	128	32,6
Capital redemption contracts	33,959	167	11,4
Unit-linked investment contracts	244,540	4,461	13,3
Total	**888,697**	**67,572**	

Liabilities for insurance policies (EUR 1,000)	Liability 2018	Number of contracts 2018	Duration 2018
Other than unit-linked contracts			
Guaranteed-interest insurance contracts			
Savings insurance			
Rate of guaranteed interest 3.5 %	2,817	38	9.5
Rate of guaranteed interest 2.5 %	15,310	371	8.9
Rate of guaranteed interest 0.0 %	83,026	2,038	8.2
Individual pension insurance			
Rate of guaranteed interest 3.5 %	1,987	111	6.7
Rate of guaranteed interest 2.5 %	6,533	649	11.4
Rate of guaranteed interest 0.0 %	8,352	476	18.5
Group pension insurance (defined contribution, rate of guaranteed interest 0.0 %)	1,859	101	4.4
Term insurance	1,536	32,660	3.2
Unit-linked contracts			
Unit-linked insurance contracts			
Savings insurance	377,507	14,469	12.1
Individual pension insurance	80,481	10,442	22.9
Group pension insurance	2,857	137	26.8
Capital redemption contracts	11,746	137	11.6
Unit-linked investment contracts	204,712	3,665	13.2
Total	**798,723**	**65,294**	

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.

Duration is based on the cash flows of insurance contract liabilities derived from the internal model and on a risk-free interest rate curve.

NOTE 34: SUBORDINATED LIABILITIES

(EUR 1,000)	Average interest rate %	31.12.2019
Subordinated loans	4.00 %	84
Other		
Debentures	2.00 %	51,020
Total subordinated liabilities		**51,104**

(EUR 1,000)	Average interest rate %	31.12.2018
Subordinated loans	4.00 %	84
Other		
Debentures	2.00 %	82,204
Total subordinated liabilities		**82,288**

NOTE 35: PROVISIONS AND OTHER LIABILITIES

(EUR 1,000)	31.12.2019	31.12.2018
Other liabilities		
Payment transfer liabilities	20,712	23,782
Other liabilities	7,737	6,257
Total other liabilities	**28,449**	**30,039**
Accrued expenses		
Interest payable	10,170	10,453
Interest advances received	715	425
Other accrued expenses	22,417	17,456
Total accured expenses	**33,302**	**28,334**
Provisions		
Pension provisions	2,692	1,701
Other provisions	1,140	800
Total provisions	**3,832**	**2,501**
Provisions and other liabilities	**65,583**	**60,874**

(EUR 1,000)	2019	2018
Change in provisions		
1 January	2,501	3,368
Decrease in other provisions	340	-13
Increase in defined benefit plans	991	-854
31 December	**3,832**	**2,501**

NOTE 36: CAPITAL AND RESERVES

(EUR 1,000)	31.12.2019	31.12.2018
Basic capital	20,340	20,340
Reserves		
Primary capital	34,452	34,475
Reserve for invested non-restricted equity	60,354	60,354
Reserve fund	70,216	69,760
Fair value reserve	14,133	-2,858
Reserve for hedging instruments	2,252	2,552
Other reserves	85,953	85,483
Retained earnings		
Profit (loss) for previous financial years	729,165	703,613
Profit (loss) for the financial year	72,949	30,149
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**	**1,028,796**

Basic capital

This item includes the paid share capital, cooperative capital and basic capital. If share capital is entirely or partially not entered in trade register, the unregistered amount must be presented in the balance sheet separately as a sub-item of this item.

The basic capital of the Savings Banks Group consists of the Savings Banks' basic capital, which is not paid back according to the Savings Bank Act § 11.

In addition, the Savings Banks Group includes four Savings Banks in the form of a limited liability company, whose share capital is included in the basic capital in equity.

Primary capital

Primary capital includes the primary capital subject to the Savings Bank Act § 13.

Share premium

Share premium comprises restricted capital. E.g. capital gains on disposal of treasury shares are recognised in the share premium account.

Reserve for invested non-restricted equity

Reserve for invested non-restricted equity includes the portion of subscription price which is not recognised in share capital and, according to the Accounting Act, is not recognised in liabilities, as well as other equity investments which are not recognised in other reserves. Furthermore, the reserve includes the amount by which share capital is reduced and which is not used to cover confirmed loss nor is distributed to shareholders.

Reserve fund

Reserve fund comprises restricted capital. This item includes the amounts recognised in the reserve fund subject to the Savings Bank Act (1502/2001) § 10.

Fair value reserve

Fair value reserve includes items arising from fair value measurements.

Reserve for hedging instruments

Reserve for hedging instruments includes items arising from cash flow hedging. Such item is considered to be the portion of change in the fair value of a hedging instrument (derivative contract) which is found an effective hedge.

Other reserves

Other reserves include non-restricted reserves which are formed of prior period results based on the Articles of Association or rules or the decision of the General Meeting, which exercises general power of decision in the Savings Banks Group.

Retained earnings

This item includes the profit for the period as indicated by the income statement, as well as profit for prior periods to the extent that it has not been transferred to other equity items or distributed to shareholders.

Specification of changes in fair value reserve (EUR 1,000)	2019
Fair value reserve 1 January	-2,858
Profit/loss from fair value measurements, shares and participations	18,610
Profit/loss from fair value measurements, securities	9,923
Deferred tax from fair value measurements	-4,786
Non-controlling interest's share of the changes in fair value reserve	-2,370
Reclassified to income statement	-4,387
Fair value reserve 31 December	**14,133**

Specification of changes in the reserve for hedging instruments (EUR 1,000)	2019
Reserve for hedging instruments 1 January	2,552
Profit/loss from fair value measurements, derivatives hedging cash flow	-436
Deferred tax from cash flow hedging	75
Reclassified to income statement	60
Reserve for hedging instruments 31 December	**2,252**

Specification of changes in fair value reserve (EUR 1,000)	2018
The impact of transition to IFRS 9 at 1 January	-19,612
Fair value reserve 1 January	32,611
Profit/loss from fair value measurements, shares and participations	-8,048
Profit/loss from fair value measurements, securities	-9,811
Deferred tax from fair value measurements	4,482
Non-controlling interest's share of the changes in fair value reserve	1,365
Reclassified to income statement	-3,844
Fair value reserve 31 December	**-2,858**

Specification of changes in the reserve for hedging instruments (EUR 1,000)	2018
Reserve for hedging instruments 1 January	2,867
Profit/loss from fair value measurements, derivatives hedging cash flow	-195
Deferred tax from cash flow hedging	79
Reclassified to income statement	-199
Reserve for hedging instruments 31 December	**2,552**

OTHER NOTES

NOTE 37: 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 38: OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	31.12.2019	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 39: 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.9

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 40: 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 (Note 2).

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
Total financial assets	**40,073**			**64,610**	**64,610**

* including fair value of investments covering unit-linked policies, which are reported on level 1.
** The other investors' share of the consolidated mutual funds.

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

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3.

Financial assets 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
Transfers from level 1 and 2	2,283		2,283
Transfers to level 1 and 2	-2,028		-2,028
Carrying amount 31 December 2019	**3,920**	**11,557**	**15,222**

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	1,349,043	1,328,512		20,531	**1,349,043**
Asset Management Services*	677,373	676,681		692	**677,373**
Other operations**	20,575	20,575			**20,575**
Derivative contracts					
Banking	51,134		51,133		**51,134**
Fair value through other comprehensive income					
Banking	585,889	571,252	10,475	5,347	**587,074**
Asset Management Services*	162,787	151,888		10,899	**162,787**
Measured at amortised cost					
Investment assets, banking	42,146	42,704		1,000	43,704
Loans and advances, banking	8,594,736		10,400,870		10,400,870
Total financial assets	**11,483,683**	**2,791,613**	**10,462,478**	**38,468**	**13,292,560**
Investment property					
Banking	42,723			69,567	69,567
Total financial assets	**42,723**			**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	9,739,271	2,161,228	6,922,896	664,002	9,748,125
Total financial liabilities	**10,439,130**	**2,859,106**	**6,924,877**	**664,002**	**10,447,985**

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3.

Financial assets measured at fair value through profit or loss (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 31 December 2017	**8,772**	**1,797**	**10,569**
Effect of IFRS 9 on the opening balance sheet	**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
Siirrot tasolta 1 ja 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 and Life Insurance	Total
Carrying amount 31 December 2017	**29,817**	**6,682**	**36,499**
Effect of IFRS 9 on the opening balance sheet	**-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 and Life Insurance	692	-104
Total	**21,223**	**-3,183**
Fair value through other comprehensive income		
Banking, liabilities	5,347	-802
Asset Management and Life Insurance	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 41: PENSION LIABILITIES

In addition to statutory pension scheme, the Savings Banks Group have set defined benefit pension plans for management, certain employees in leading positions as well as for those who used to be covered by the Savings Banks' pension fund.

Retirement age is 60-65 years. The target pension is 60% of pensionable salary.

The amount of assets in the insurance arrangement reflects the part of the obligation which is on the insurance company's responsibility, and it is calculated with the same discount rate as the liability. The Group is mainly responsible for increases in pension and for the effect of discount rate change on net debt.

(EUR 1,000)	31.12.2019	31.12.2018
Present value of obligation	14,496	15,499
Fair value of plan assets	11,886	13,794
Liability in balance sheet 31 December	**2,611**	**1,705**

Actuarial assumptions		
Discount rate, %	0.70 %	1.60 %
Pay development, %	1.70 %	2.20 %
Pension increase, %	0.00 - 1.50 %	0.00 - 2.00 %

(EUR 1,000)	2019	2018
Current service cost	540	788
Previous service cost	498	757
Net interest	20	44
Total	1,059	1,588
Items in other comprehensive income		
Costs recognised in income statement	518	801
Remeasurements	1,134	-1,247
Comprehensive income before tax	**1,653**	**-446**
Present value of obligation 1 January	15,499	18,083
Current service cost	540	788
Previous service cost	-42	-31
Interest expense	245	269
Actuarial gains (-) / losses (+) arising from changes in economic expectations	1,213	-243
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-49	-895
Benefits paid	-2,911	-2,471
Present value of obligation 31 December	**14,496**	**15,499**
Fair value of plan assets 1 January	13,794	14,723
Interest expense	225	226
Items in interest	30	108
Benefits paid	-2,911	-2,471
Contributions	747	1,208
Fair value of plan assets 31 December	**11,886**	**13,794**
Present value of obligation	14,496	15,499
Fair value of plan assets	11,886	13,794
Liability in balance sheet 31 December	**2,611**	**1,705**
Liability in balance sheet 1 January	1,705	3,359
Costs in income statement	518	801
Contributions	-747	-1,208
Remeasurements in comprehensive income statement	1,134	-1,247
Liability in balance sheet 31 December	**2,611**	**1,705**

Sensitivity analysis - net liability

Effect of changed in assumptions on net liability in euros and % can be seen in the table below

	2019	2018
Change in discount rate +0.50%	-302	-240
Change in discount rate -0.50%	346	275
Change in pay development +0.50%	196	192
Change in pay development -0.50%	-189	-183
Change in pensions + 0.5 %	668	648
Change in pensions - 0.5 %	-606	-588

Duration based on the weighted average is 17 (16) years.

The Savings Banks Group expects to contribute approximately EUR 544 (869) thousand to defined benefit plans in 2020.

NOTE 42: LEASES

Savings Banks Group as lessee

The Savings Bank Group acts as a lessee of e.g. office spaces, printers and laptop computers. Savings Banks Group's leases can be categorised by the following underlying assets: machinery and equipment, real estate and apartments, information systems and others. Savings Banks Group's leases do not contain any significant residual value quarantees or extension options.

Right-of-use assets (EUR 1,000)	2019
Property, plant and equipment	
Machinery and equipment	326
Real estate	43
Apartments	11,269
IT-systems	
Others	
Total	**11,638**

Changes in right-of-use assets (EUR 1,000)	2019
Carrying amount 1 January	**13,028**
Depreciations and impaiments	-4,016
Increases	2,626
Carrying amount 31 December	11,638
Total	**11,638**

Maturity analyses of lease liabilities (EUR 1,000)	2019
Less than one year	2,619
Between one and five years	6,252
More than five years	2,787
Total	**11,658**

Income statement items (EUR 1,000)	2019
Interest expenses	-50
Depreciations	-2,836
Expense relating to short-term leases	-2,118
Expense relating to leases of low-value assets	-240
Total	**-5,244**

Future minimum lease payments under non-cancellable operating leases payable (EUR 1,000)	2019
Less than one year	3,025
Between one and five years	7,649
More than five years	5,231
Total	**15,905**

Savings Banks Group as lessor

The Savings Banks Group acts as a lessor of e.g. apartments owned by the banks.

(EUR 1,000)	2019	2018
Future minimum lease payments under non-cancellable operating leases receivable		
Less than one year	2,198	2,026
Between one and five years	1,656	2,424
More than five years	914	1,072
Total	**4,769**	**5,523**

NOTE 43: ENTITIES CONSOLIDATED IN SAVINGS BANKS GROUP'S FINANCIAL STATEMENTS

Group structure

The table provides information about entities consolidated in the consolidated financial statements of the Savings Banks Group.

COMPANY	DOMICILE		
Technical parent company:			
Säästöpankki Sinetti	Orivesi		
Huittisten Säästöpankki	Huittinen		
Aito Säästöpankki Oy	Tampere		
Säästöpankki Kalanti-Pyhäranta	Uusikaupunki		
Avain Säästöpankki	Kortesjärvi		
Lammin Säästöpankki	Hyvinkää		
Liedon Säästöpankki	Lieto		
Länsi-Uudenmaan Säästöpankki	Lohja		
Mietoisten Säästöpankki	Masku		
Myrskylän Säästöpankki	Myrskylä		
Säästöpankki Optia	Iisalmi		
Helmi Säästöpankki Oy	Lahti		
Someron Säästöpankki	Somero		
Sysmän Säästöpankki	Sysmä		
Ylihärmän Säästöpankki	Ylihärmä		
Eurajoen Säästöpankki	Eurajoki		
Ekenäs Sparbank	Tammisaari		
Nooa Säästöpankki	Helsinki		
Kvevlax Sparbank	Koivulahti		
Närpes Sparbank Ab	Närpiö		
Subsidiaries:		**OWNERSHIP 31 DEC 2019**	**OWNERSHIP 31 DEC 2018**
Nooa Savings Bank Ltd	Helsinki	83.13 %	83.13 %
Central Bank of Savings Banks Finland Plc	Helsinki	96.57 %	94.73 %
Sp-Fund Management Company Ltd	Helsinki	92.57 %	92.57 %
Savings Banks' Union Coop	Helsinki	100.00 %	100.00 %
Savings Bank Services Ltd	Helsinki	100.00 %	100.00 %
Sb Life Insurance Ltd	Helsinki	81.22 %	81.22 %
Sp-Koti Oy	Helsinki	100.00 %	100.00 %
Säästöpankkien Holding Oy	Helsinki	80.10 %	80.10 %
Sp Mortgage Bank Plc	Helsinki	100.00 %	100.00 %

Consolidated mutual funds:		OWNERSHIP 31 DEC 2019	OWNERSHIP 31 DEC 2018
Säästöpankki High Yield	Helsinki		38.14 %
Säästöpankki Kehittyvät korkomarkkinat	Helsinki		55.86 %
Säästöpankki Ympäristö	Helsinki	47.40 %	

Most significant real estate companies:			
Fast Ab Bankborg	Koivulahti	100 %	100 %
Fast Ab Kvevlax Affärshus	Koivulahti	65.90 %	65.90 %
Kiinteistö Oy Säästö-Erkko	Orimattila	64.58 %	64.58 %
Kiinteistö Oy Toritammi-Torgeken Fastighets Ab	Kaskinen	56.00 %	56.00 %
Kiinteistö Oy Eräjärven Pankkitalo	Eräjärvi	100 %	100 %
Kiinteistö Oy Oriveden Läsimäki	Orivesi	94.22 %	94.22 %
Kiinteistö Oy Kaustisen Säästökeskus	Pietarsaari	76.33 %	76.33 %
Kiinteistö Oy Käviän Säästöpuisto	Kokkola	100.00 %	100.00 %
Kiinteistö Oy Kalajoenrinne	Kalajoki	59.37 %	59.37 %

Significant restrictions

There are no significant restrictions on the ownership and use of assets.

NCI in subsidiaries

The non-controlling owners of the subsidiaries of the Savings Banks Group are mainly savings banks which are not part of the Savings Banks Amalgamation

The table below presents a specification of companies which have material NCI.

Subsidiary	Domicile	Non-controlling ownership (%) 2019	Equity allocated to non-controlling interests 2019
Nooa Säästöpankki Oy	Helsinki	16.87	11,053
Central Bank of Savings Banks Finland Plc	Espoo	3.43	2,991
Sb Life Insurance Ltd	Espoo	18.78	8,892

The table below summarises the financial information relating to subsidiaries which have material NCI. The information is presented before elimination of internal items.

(EUR 1,000)	Nooa Savings Bank Ltd 2019	Central Bank of Savings Banks Finland Plc 2019	Sb Life Insurance Ltd 2019
Loans and advances	703,703	2,113,735	
Life insurance assets			943,594
Other assets	111,352	47,312	2,031
Liabilities	747,882	2,077,141	898,981

In addition, the Savings Banks Group includes companies with non-controlling interest in ownership of 5.78-44.00% and in equity EUR 2,533 thousand. None of these companies is considered to be individually material.

Subsidiary	Domicile	Non-controlling ownership (%)	Equity allocated to non-controlling interests
		2018	2018
Nooa Savings Bank Ltd	Helsinki	16.87	10,536
Central Bank of Savings Banks Finland Plc	Espoo	5.27	2,799
Sb Life Insurance Ltd	Espoo	18.78	6,303

The table below summarises the financial information relating to subsidiaries which have material NCI. The information is presented before elimination of internal items.

	Nooa Savings Bank Ltd	Central Bank of Savings Banks Finland Plc	Sb Life Insurance Ltd
(EUR 1,000)	2018	2018	2018
Loans and advances	658,265	2,679,058	
Life insurance assets			844,651
Other assets	128,584	55,100	6,111
Liabilities	724,782	2,681,057	808,178

In addition, the Savings Banks Group includes companies with non-controlling interest in ownership of 5.78-44.00% and in equity EUR 2,583 thousand. None of these companies is considered to be individually material.

Consolidated structured entities

The Group is involved in entities which have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Such entities are structured entities. When assessing the need to consolidate structured entities in the Group's financial statements, consideration is given to the nature of the relationship between the Group and the entity as well as to the Group's power over the entity in accordance with the principle of control as defined by IFRS 10.

The structured entities within the Group's sphere of influence are mutual funds managed by Sp-Fund Management Company, which is part of the Savings Banks Amalgamation. As Sp-Fund Management Company acts as the manager of the mutual funds, the Group is considered to have power over the mutual funds whereby it is able to affect the amount of returns received. The Group has determined the scope of consolidation to include the mutual funds where the ownership of the Savings Banks Group exceeds 40% as a longer-term investment. The Savings Banks Group must have owned more than 40% of the fund for more than half a year before the fund is consolidated. One mutual fund is consolidated in the Group's financial statements on 31 December 2019 (2 in year 2018).

The table below presents as assets the value of the mutual funds which the Group controls as defined above and which are consolidated in the Group's financial statements. Liabilities include other owners' share in the value of these funds. Liabilities do not represent claims against the Group's assets. The assets of the mutual funds can only be used to settle their own liabilities.

	31.12. 2019		31.12.2018	
(EUR 1,000)	Total assets	Total liabilities	Total assets	Total liabilities
Total mutual funds	6,956	3,297	34,782	20,575

The holdings in mutual funds consolidated in the financial statements of the Savings Banks Group are classified at fair value through profit or loss. Other owners' interests in the assets and liabilities are measured at fair value through profit or loss.

Associates and joint ventures

Information about the Savings Banks Group's investments in associates and joint ventures is presented in Note 24 investments in associates.

NOTE 44: INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The table below presents financial information about the structured entities which are not consolidated in the Group's financial statements, as well as the Group's investment in these entities and the maximum exposure to loss. These entities are mutual funds managed by Sp-Fund Management Company, which is part of the Savings Banks Amalgamation. Sp Fund Management Company manages 25 mutual funds. One mutual fund of Sp Fund Management Company in which the Group has invested in is consolidated in the Group's financial statements, while 11 mutual funds are excluded from consolidation. The liabilities presented below represent the liabilities to both entities within the Group and other owners.

(EUR 1,000)	31.12.2019			
	Total assets	Total liabilities	Group investment	Maximum exposure to loss
Total mutual funds	3,201,728	3,201,728	68,671	68,671

(EUR 1,000)	31.12.2018			
	Total assets	Total liabilities	Group investment	Maximum exposure to loss
Total mutual funds	2,211,606	2,211,606	133,445	133,445

All holdings in mutual funds are classified as at fair value through profit or loss. The unrealized fair value changes of the unconsolidated mutual funds managed by Sp-Fund Management Company, amounting to EUR 50 (-4,386) thousand, are included in the profit or loss of the Group. During the financial year, a total of EUR 0 (-138) thousand of realized gains and losses were recorded in the investment income of the Group.

The Group's maximum exposure to loss for each structured entity is restricted to the investment made by the Group.

NOTE 45: 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.

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

Key management personnel compensation (EUR 1,000)	1-12/2019	1-12/2018
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

NOTE 46: SUBSEQUENT EVENTS

Signatures of the Consolidated Financial Statement of Savings Banks' Group

We have adopted the Report of Board of Directors and the Consolidated Financial Statements of the Savings Banks' Group specified in the Act on the amalgamation of deposit banks the for the financial year ending 31 December 2019. The report and the Financial Statements are presented to the General Meeting of Savings Banks' Union Coop on 11th March 2020.

In Helsinki 13 February 2020

The Board of Directors' of the Savings Banks' Union Coop

Kalevi Hilli
Chairman of the Board

Toivo Alarautalahti
Vice chairman of the Board

Pauli Aalto-Setälä
Member of the Board

Pirkko Ahonen
Member of the Board

Sanna Ahonen
Member of the Board

Jari Oivo
Member of the Board

Jaakko Ossa
Member of the Board

Ulf Sjöblom
Member of the Board

Marja-Leena Tuomola
Member of the Board

Tomi Närhinen
Managing Director

Auditor's endorsement

Our auditor's report has been issued today.

Helsinki 13 February 2020.

KPMG Oy Ab

Petri Kettunen
Authorised Public Accountant

KPMG

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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the members of Savings Banks' Union Coop

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of amalgamation Savings Banks Group pursuant to the Act on the Amalgamation of Deposit Banks for the year ended 31 December, 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of Savings Banks Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Our opinion is consistent with the additional report submitted to the Audit Committee of Savings Banks' Union Coop.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of member institutions within Savings Banks Group in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the Savings Banks Group are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 14 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Receivables from customers (notes 2, 3, 5 and 16 to the financial statements)

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
— Receivables from customers, totaling EUR 8,9 billion, are the most significant item in the Savings Banks Group's consolidated balance sheet representing 74 percent of the total assets. — Savings Banks Group adopted IFRS 9 Financial instruments -standard on 1 January 2018. — Calculation of expected credit losses involves assumptions, estimates and management judgment for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk. — Due to the significance of the carrying amount involved, adoption of the IFRS 9 -standard, complexity of the accounting methods and management judgement involved, receivables from customers are addressed as a key audit matter.	— We assessed principles and controls over recognition and monitoring of loan receivables. Our audit procedures included testing of controls regarding determination and recording of expected credit losses on loans. — We assessed the models and key assumptions for calculating expected credit losses as well as tested the controls related to calculation process and credit risk models for the expected credit losses. KPMG IFRS- and financial instruments -specialists have been involved in the audit. — We requested other auditors of Savings Banks Group institutions to issue an opinion that the institutions within Savings Banks Group have complied with the instructions provided by Savings Banks Union Coop in respect of valuation of receivables and determination of expected credit losses in accordance with IFRS 9. — Furthermore, we considered the appropriateness of the notes provided by Savings Banks Group in respect of receivables and expected credit losses.

Financial assets measured at fair value and derivative contracts (notes 2, 3, 18, 21 and 40 to the financial statements)

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
— The carrying value of financial assets measured at fair value totals EUR 2,1 billion comprising investment assets EUR 1,064	— We assessed the appropriateness of the measurement principles applied by Savings

million and life insurance assets EUR 951 million. The Derivative assets are EUR 69 million comprising contracts held for hedging purposes. Derivatives are measured at fair value in preparing financial statements.

- Fair value of a financial instrument is determined using either prices quoted in an active market or Savings Banks Group's own valuation techniques where no active market exists. Determining fair values involves management judgements, especially in respect of those instruments for which market-based data is not available.

Banks Group and the compliance with the applicable financial reporting standards.

- Our audit procedures included testing of controls around the valuation process of financial assets measured at fair value, among others.
- As part of our year-end audit procedures we considered the accuracy of the fair values determined for financial assets measured at fair value.
- We requested other auditors of Savings Banks Group institutions to issue an opinion that the institutions within Savings Banks Group have complied with the instructions provided by Savings Banks Union Coop in respect of valuation of financial assets.
- Furthermore, we considered the appropriateness of the notes on investment assets.

Life insurance liability
(notes 2, 3, 5 and 33 to the financial statements)

- The life insurance liability, totaling EUR 889 million, is a significant item in the Savings Banks Group's consolidated balance sheet. Determination of life insurance liability involves various calculation techniques and actuarial assumptions. The most significant assumptions relate to calculation techniques, mortality rate and development of interest rates.

- Our actuary specialist evaluated the appropriateness of the assumptions and methods used in determining life insurance liability by inspecting the technical bases applied and assessing the appropriateness of the calculation models to ensure the adequacy of liabilities for insurance policies, among others.
- Our audit procedures included the assessment of controls around the calculation process of life insurance liability.
- Furthermore, we considered the appropriateness of the notes on life insurance liabilities.

IT systems and related control environment

- The key processes of the institutions within Savings Banks Group are dependent on technology. Therefore, IT plays essential role for business continuity, incident management and the accuracy of financial reporting.
- The most significant risks relate to integrity of data, confidentiality and disruption of services.
- The IT control environment related to the financial reporting process has a significant impact on the selected audit approach.

- We obtained an understanding of the IT systems related to financial reporting and the associated control environment, and tested the effectiveness of the related internal controls with the help of assurance reports received from external service providers, among others.
- Our audit procedures included extensive substantive procedures and data analyses.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and that financial statements comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Savings Banks Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the Savings Banks Group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Savings Banks Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Savings Banks Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Savings Banks Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Savings Banks Group to express an opinion on the consolidated financial statements. We remain solely responsible for our audit opinion.
- We also acquaint ourselves with the financial statement policies adopted by Savings Banks Group's member institutions, as well as the auditors' reports submitted for the audit of Savings Banks Group's consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting of Savings Banks' Union Coop on 13.3.2014, and our appointment represents a total period of uninterrupted engagement of 6 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 13 February 2020

KPMG OY AB

PETRI KETTUNEN
Authorised Public Accountant, APA

Savings Bank

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