SAVINGS BANKS GROUP'S

HALF-YEAR REPORT

1 JANUARY – 30 JUNE 2024

Savings Bank

Translation of the Savings Banks Group's half-year report 1.1.-30.6.2024

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1 JANUARY – 30 JUNE 2024

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

Karri Alameri
Chief Executive Officer

The level of economic activity was again muted in the first half of 2024. Although inflation levelled off and interest rates have slowly turned to a decrease from their previous highs, geopolitics and world news have kept the growth projections of the Finnish economy close to zero. The sluggish housing market was reflected in weaker demand for housing loans when compared to the previous year, and companies elected not to start their investments.

The Savings Banks Group continued its purposeful work together with customers. The Net Promoter Score (NPS) for customer encounters was 83.8, and our market position was strengthened among both private and corporate customers. Our housing loan portfolio grew by 2%, outperforming the general trend in the market. Our strategic focus on the corporate customer business was reflected in a 5.1 per cent increase in our corporate loan portfolio, which exceeds the average growth rate in the industry by a clear margin. The credit portfolio as a whole grew by 2.9%. At the same time, our deposit stock grew by 1.5%. Sp-Fund Management Company's net subscriptions amounted to EUR 131 million, and the number of new continuous fund saving agreements signed increased by 17.4% year-on-year. The quality of our credit portfolio is good and most of the granted credit is secured.

FINANCIALLY STABLE SAVINGS BANKS GROUP

Our capital adequacy improved to 20.5% (31.12.2023: 19.5%), exceeding the regulatory requirement by a clear margin. The Savings Bank will continue to be a financially stable and trustworthy partner for both private and corporate customers, and one whose operations support economic activity and wellbeing in its operational environment.

The Savings Banks Group's revenue and profit continued to show strong growth. The Savings Banks Group's net interest income increased by 16.8% and net fee and commission income increased by 5.8%. Total operating revenue grew by 16.1%. Operating expenses increased by a moderate 2.4%, which was in line with expectations. The rise in operating expenses was due to planned investments in the personnel and significant investments in digitalisation and customer service. Profit before tax increased by 25.3% and amounted to EUR 82.6 (65.9) million.

THE NEW STRATEGY CONFIRMED

The Board of Directors of Savings Banks' Union Coop confirmed the Savings Banks Group's new strategy on 18 June 2024. The preparatory work, which lasted throughout the first half of the year, was a comprehensively collaborative effort in which we engaged the customers, personnel, management and governance bodies in all Savings Banks and the Savings Bank Centre. The Savings Banks Group will continue its long-term work to responsibly promote the financial wellbeing and prosperity of its customers in everyday life and in different phases of life. With the new strategy, we seek stronger growth than before without compromising on profitability, capital adequacy and risk management. Going forward, we want to continue to offer the most sought-after jobs for top talent in banking.

Sustainability has been one of the cornerstones of the Savings Banks ideology for over 200 years. Indeed, our new strategy relies heavily on sustainability, as it supports our competitiveness and diverse value creation for our stakeholders. During the period under review, we extensively developed our sustainability reporting and processes, and we also surveyed our stakeholders' sustainability-related expectations and the materiality of the impacts of our operations. In May, we published our new green corporate loan product and continued our energy loan campaign for households. All this can be seen also in the sustainability rating of Moody's Ananlytics, which now is 43 (37 in 2021). Also, the well-known Morningstar Sustainalytics changed it's rating for the Savings Banks Group from medium risk to low risk.

A year ago, we started a digitalization project in which we are investing over EUR 100 million in the renewal of our systems, processes and operating models for lending and customer relationship management, among other things. We have made good progress with the project and achieved our interim targets on schedule, on budget and in terms of their content. The first deployment, which is planned for the autumn, will see us introduce a cloud-based Microsoft Dynamics 365 customer relationship management system in our marketing activities.

SECOND HALF OF 2024

I would like to take this opportunity to express my warmest thanks for our success and improved cooperation in the first half of the year to our personnel and the active members of our governance bodies. I would also like to thank our customers for their trust.

In the second half of the year, we expect economic activity to show a moderate recovery and an uptick in housing transactions, which will help keep the profitability of our business at a good level. The most significant risks are related to the development of the operational environment, which is influenced by the development of interest rates, consumer confidence, the international economy and geopolitics.

Karri Alameri
Chief Executive Officer

THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

The Savings Banks Group is the most long-standing banking group in Finland. It comprises the Savings Banks that form 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 companies of the Savings Banks Amalgamation form a financial institution as defined in the Act on the Amalgamation of Deposit Banks, in which Savings Banks' Union coop and its member credit institutions are ultimately jointly and severally 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, 14 Savings Banks, 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 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.

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

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

THE GLOBAL ECONOMY

The growth outlook of the global economy was fairly subdued at the beginning of 2024, with economic forecasts projecting growth to be slower than the long-term average. As it turned out, economic growth was slightly above expectations in the first half of the year.

In the United States, economic growth has remained strong, and the expected weakening of the economy has yet to materialise. Going forward, economic growth in the US is expected to slow slightly, but it is nevertheless projected to remain at a good level of just over 2% for the full year 2024.

The Chinese economy also outperformed expectations in the first half of the year, albeit largely supported by stimulus measures. The housing market is still one of the concerns in the Chinese economy, and it is also keeping consumers cautious. The Chinese economy is projected to grow by approximately 5% this year.

In Europe, economic growth has been weak, but still slightly better than previously feared. Having contracted in the latter part of last year, the economy turned to growth in the first quarter. Exceptionally, the strongest growth figures were seen in Southern European countries, such as Greece and Spain. Growth in the eurozone is expected to accelerate slightly, but economic growth for the full year 2024 is projected to be less than 1%.

The slowing of inflation around the world makes it possible for central banks to lower their key interest rates. The expectations of rate cuts have, however, decreased substantially when compared to the start of the year. The European Central Bank lowered its key interest rates at its meeting in early June. At the time of writing, one or two further rate cuts are still expected this year. The rate cut cycle has yet to begin in the US, but the Fed is expected to lower its rates before the end of the year. Interest rates are trending downwards, but there is a lot of uncertainty regarding the rate of the decrease.

THE INTEREST RATE ENVIRONMENT

In the first half of 2024, short-term interest rates in the eurozone fluctuated within a relatively narrow range when compared to the previous year. For example, the 12-month Euribor rate, which is used as the general reference rate for mortgages, had a range of movement of approximately 0.25 percentage points. Long-term interest rates have trended slightly upward since the turn of the year as the expectations of quick rate cuts evaporated.

The interest rate environment remained favourable for banking operations in the first half of 2024. The interest rate curve has enabled the positive development of net interest income in basic operations. At the same time, in wholesale financing, costs have decreased for both covered bonds and senior loans.

The future development of interest rates remains largely open. On 6 June 2024, the European Central Bank carried out its first interest rate cut in an expected series of cuts. However, the timing of future rate cuts remains uncertain because the ECB simultaneously made an upward adjustment to its inflation projections for 2024 and 2025.

INVESTMENT MARKETS

From the perspective of the investment markets, the first half of the year was positive as a whole. Equity markets developed in a positive direction as companies reported better earnings growth than expected. A recovery was also seen in emerging market equities, and investor confidence in the outlook of emerging markets improved during the first half of the year. In the corporate bond markets, credit risk margins narrowed and the demand for corporate bonds remained very strong. In the sovereign bond market, yields were below expectations as central banks gave indications of slower rate cuts this year and in 2025. On the whole, investor confidence in the development of the market is very strong, but the risk of a correction has simultaneously increased. From the perspective of the investment markets, geopolitical risks, monetary policy and the US presidential election are key factors influencing development in the second half of the year.

THE FINNISH ECONOMY

The Finnish economy is sensitive to interest rates. Consequently, the rise in interest rates has had a particularly heavy impact on Finland. Last year, the economy contracted by 1% and Finland was one of the poorest performers in the EU. The economic outlook was fairly subdued at the start of the year, but the GDP growth figure for the first quarter came as a positive surprise. According to the current statistics, the Finnish economy rebounded from its slump and returned to growth, albeit at a rather modest rate (+0.2% QOQ)

The low ebb in the economy remains quite broad-based. The housing market and construction have been hit hard by the rise in interest rates and the outlook remains weak for construction in particular. The economic situation in the industrial sector is also subdued. The service sector has performed better. The situation is improving for consumers as their purchasing power is increasing again, but consumer confidence remains very low.

We expect the Finnish economy to improve a little in the second half of 2024. This will be enabled by falling interest rates and the slight recovery of the global economy. However, there are still risks associated with this view. For example, a rapid deterioration of the geopolitical situation or delays in rate cuts would have a negative impact on Finland’s economic outlook.

THE HOUSING MARKET IN FINLAND

The housing market slump has continued since October 2022. The transaction volume has been subdued due to the low consumer confidence index and rapid rise in interest rates in particular. During the first five months of the year, the number of housing transactions decreased by over 5% year-on-year according to the price monitoring service of the Federation of Real Estate Agency in Finland. The demand for small apartments has been particularly low, while various types of dwellings in the family size category have seen moderate demand.

There was regional variation in the transaction volumes for old dwellings in the first half of the year. The transaction volume decreased by 12% in the Helsinki metropolitan area, by nearly 6% in the surrounding municipalities and by only 2% in other parts of Finland. The changes in the market have continued to have a significant negative impact on the transaction volume for new dwellings, as it has declined by over 18% from the previous year. For the Finnish cities with a significant number of housing transactions, the year-on-year changes during the January–May period remained negative: Helsinki -11%, Tampere -0.5%, Turku -18.5%, Jyväskylä -1.1% and Oulu -2.5%.

The housing market is expected to recover in the latter part of 2024. This recovery will be driven particularly by increased consumer purchasing power, falling interest rates, pent-up demand and improving consumer confidence. We project an increase of 0–5% in the transaction volume for old dwellings, but we expect the average prices for old dwellings to be lower than in the previous year by -1%.

THE SAVINGS BANKS GROUP'S PROFIT AND BALANCE SHEET

THE SAVINGS BANKS GROUP'S FINANCIAL HIGHLIGHTS

(EUR 1,000)	1–6/2024	1–6/2023	1–12/2023
Revenue	389,504	288,709	644,769
Net interest income	138,546	118,643	263,761
% of revenue	35.6%	41.1%	40.9%
Profit before taxes	82,602	65,926	135,529
% of revenue	21.2%	22.8%	21.0%
Total operating revenue	212,815	184,190	377,995
Total operating expenses	-119,448	-117,579	-232,492
Cost to income ratio	56.1%	63.8%	61.5%
Impairment losses on financial assets	-10,782	-708	-9,988
Financial highlights, continuing operations and exit from Savings banks group total:			
Total assets	13,944,383	12,602,631	13,206,415
Total equity	1,202,117	1,071,618	1,137,950
Return on equity %	5.7%	4.9%	9.8%
Return on assets %	0.5%	0.4%	0.8%
Equity/assets ratio %	8.6%	8.5%	8.6%
Solvency ratio %	20.5%	19.1%	19.5%

PROFIT TRENDS (COMPARISON FIGURES 1–6/2023)

The Savings Banks Group's profit performance remained good in the first half of 2024. The Savings Banks Group's profit before tax was EUR 82.6 (65.9) million. Profit for the period increased by EUR 16.7 million year-on-year. Higher interest rates again increased net interest income. Lieto Savings Bank relinquished its membership of the Savings Banks Group during the comparison period, on 28 February 2023. The profit for the comparison period does not include Lieto Savings Bank.

The Savings Banks Group's net interest income was further increased by the year-on-year rise in market interest rates. Net interest income grew by 16.8% and amounted to EUR 138.5 (118.6) million. Interest income increased to EUR 307.5 (199.6) million. Interest income from loans and advances to customers amounted to EUR 239.3 (156.2) million. Interest income from loans and advances to credit institutions amounted to EUR 34.6 (19.0) million. Interest expenses increased to EUR 169.0 (80.9) million. Interest expenses associated with derivatives used in the management of the interest rate risk increased to EUR 70.9 (37.5) million. Interest expenses from debt securities issued came to EUR 38.3 (23.5) million. Interest expenses from liabilities to customers were EUR 50.1 (16.5) million.

Effective from 1 January 2024, the Savings Banks Group has changed the presentation of the income statement with regard to investment contracts recognised in accordance with IFRS 9 Financial Instruments. Previously, income received from investment contracts and payments made for investment contract claims were in the income statement under the item Fee and commission income and expenses. Under the new presentation method, fee income and compensations paid are presented as part of the measurement of investment contracts in the item "Net investment income". Going forward, the operating expenses of IFRS 17 insurance contracts (operating expenses and net fee and commission income) will be recognised in a new income statement item "Transfers to the insurance service result". Previously, the items reduced personnel expenses, IT expenses and fee expenses. The effect of the change in the presentation method is described in more detail in note 2 Basis of preparation, chapter 3.1 Changes in presentation. The information for the comparison period has been adjusted accordingly.

Net fee and commission income amounted to EUR 55.8 (52.7) million. Fee and commission income amounted to EUR 63.5 (60.2) million. Fee and commission income from IFRS 9 investment contracts amounted to EUR 1.5 (1.5) million. Payment transaction fees came to EUR 24.6 (24.3) million. Fees received for funds amounted to EUR 20.3 (18.9) million and lending commissions totalled EUR 9.1 (9.3) million. Fee expenses increased to EUR 7.7 (7.5) million.

Net investment income amounted to EUR 27.8 (9.2) million. Net income from financial assets at fair value through profit or loss amounted to EUR 4.0 (3.1) million, including both fair value gains and losses of shares and participations amounting to EUR 1.5 (1.0) million and net income from hedge accounting, EUR 2.3 (-8.5) million. The net return on unit-linked assets was 44.1 (31.9) million euros. Net income from other financial assets and liabilities in investment activities in insurance operations, recognised at fair value through profit or loss, amounted to EUR -19.3 (-13.5) million. Of the net investment income, net income from financial assets at fair value through other comprehensive income amounted to EUR 0.4 (-5.9) million.

During the review period, insurance finance income and expenses amounted to EUR -23.6 (-15.2) million.

The insurance service result was EUR 2.8 (-0.2) million. The insurance service result includes operating expenses of 6.9 (6.8) million euros. Insurance premium revenue increased to EUR 10.2 (9.2) million. Insurance service expenses decreased to EUR 6.8 (8.9) million. Changes to mortality models made during the review period and the increase in average savings in insurance saving contracts improved the profitability of insurance contracts, reducing the amount of the loss component recognised on loss-making contracts. During the period under review, the write-off of loss-making contracts reduced insurance service expenses by EUR 1.8 million.

Other operating revenue came to EUR 11.5 (18.1) million. During the comparison period, other operating income was increased by the proceeds related to the exit of Liedon Säästöpankki.

The Savings Banks Group's total operating revenue increased by 16.1% and amounted to EUR 212.8 (183.3) million. Revenue was increased by the growth of net interest income, the rise in net fee and commission income and the positive development of net investment income.

The Savings Banks Group's operating expenses increased by 2.4% to EUR 119.4 (116.7) million.

Personnel expenses increased by 8.9% and amounted to EUR 53.5 (49.1) million. The number of personnel on 30 June 2024 was 1,343 (1,269).

Other operating expenses came to EUR 65.9 (69.0) million. Other administrative expenses totalled EUR 47.3 (45.4) million. ICT expenses were EUR 25.7 (24.9) million.

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets amounted to EUR -7.0 (-5.5) million.

The Group's cost to income ratio was 56.1% (63.8%).

A total of EUR 10.8 (0.7) million was recognised in impairment of financial assets. These impairments had a negative effect on the Savings Banks Group's profit and loss, and they include the change in expected credit losses for loans granted to customers and off-balance sheet commitments and expected credit losses in other financial assets, final credit losses and credit loss recoveries. New LGD models were adopted during the period. The adoption of the models increased expected credit losses by EUR 6.8 million. The change in expected credit losses recognised during the period increased impairment by EUR 7.2 million. Expected credit losses allocated to credit and other advances increased by EUR 8.4 million. Expected credit losses allocated to other financial assets decreased to EUR 1.2 million. Net credit losses realised during the period totalled EUR 3.5 (2.9) million, and they concerned loans and other receivables.

BALANCE SHEET AND FUNDING (COMPARISON FIGURES 31 DECEMBER 2023)

The Savings Banks Group's balance sheet total was EUR 13.9 (13.2) billion at the end of the period.

Loans and advances to customers amounted to EUR 9.8 (9.5) billion, representing an increase of 2.9%. Loans and advances to credit institutions amounted to EUR 185.9 (179.1) million. The Savings Banks Group's investment assets amounted to EUR 856.0 (895.2) million. Cash and cash equivalents totalled EUR 1.9 (1.4) billion. Investments covering unit-linked insurance policies amounted to EUR 966.6 (908.4) million.

The Savings Banks Group's liabilities to customers remained at EUR 7.0 (7.0) billion. Liabilities to credit institutions came to EUR 577.6 (620.9) million. Debt securities issued amounted to EUR 3.6 (2.9) billion. Insurance-related liabilities amounted to EUR 580.3 (571.4) million. Liabilities for unit-linked contracts came to EUR 465.1 (420.4) million.

The Savings Banks Group's equity amounted to EUR 1.2 (1.1) billion. The share of non-controlling interests of the Group's equity was EUR 1.2 (1.2) million. The change in fair value recognised in other comprehensive income was EUR -3.7 (-24.5) million during the period.

The Savings Banks Group's return on equity was 5.7% (30.6.2023: 4.9%).

The quality of the Savings Banks Group's credit portfolio is good and most credit is secured. The expected credit loss allowance on loans and advances on the balance sheet at the end of the period amounted to EUR 58.8 (31 December 2023: 50.4) million, or 0.56% (31 December 2023: 0.49%) of loans and advances. The Savings Banks Group's non-performing receivables remained at a moderate level 2.6% (2.3%) of loans and advances.

The Savings Banks Group's financial position and liquidity are strong. The Savings Banks Group's LCR was 295% and NSFR was 129.69% at the end of the review period.

CAPITAL ADEQUACY AND RISK POSITION

Capital adequacy (comparison figures 31 December 2023)

At the end of June 2024, the Savings Banks Amalgamation had a strong capital structure, consisting almost entirely of CET1 capital. Total own funds were EUR 1,095.4 (1,034.4) million, of which CET1 capital accounted for EUR 1,092.7 (1,031.4) million. The Savings Banks Amalgamation does not have additional Tier 1 capital. Tier 2 (T2) capital amounted to EUR 2.7 (3.0) million, consisting of debentures during the review period. Risk-weighted assets amounted to EUR 5,346.3 (5,302.2) million, an increase of 0.8% compared to the end of the previous year. During the review period, capital adequacy was improved primarily by the profit for the period. The category of liabilities with the largest increase in risk-weighted assets was exposures secured by mortgages on immovable property. The capital ratio of the Savings Banks Amalgamation was 20.5% (19.5%), and the CET1 capital ratio was 20.4% (19.5%).

The capital requirement of the Savings Banks Amalgamation was EUR 697.8 (638.8) million. The composition of the capital requirement is shown in the table below. The capital requirement of the Savings Banks Amalgamation consists of the 8% minimum capital requirement laid down in the Capital Requirements Regulation, a discretionary additional Pillar II capital requirement imposed by the Financial Supervisory Authority, a fixed additional capital requirement pursuant to the Act on Credit Institutions and the country-specific countercyclical capital requirements of foreign exposures.

COMBINED CAPITAL REQUIREMENT, %

30.6.2024	Minimum requirement	Pillar 2 (SREP)-requirement	Capital conservation buffer	Countercyclical capital buffer	Systemic risk buffer	Combined capital requirement
CET1	4.50	0.84	2.50	0.05	1.00	8.89
AT1	1.50	0.28				1.78
T2	2.00	0.38				2.38
Total	8.00	1.50	2.50	0.05	1.00	13.05

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

The Financial Supervisory Authority's decision to set a systemic risk buffer requirement of 1.0% for the Savings Banks Amalgamation entered into effect on 1 April 2024.

In 2024, the Financial Supervisory Authority has not imposed a countercyclical capital buffer requirement, which may range from 0 to 2.5% of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

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

The Finnish Financial Supervisory Authority has granted Savings Banks' Union Coop, which acts as the Central Institution of the Savings Banks Amalgamation, permission pursuant to the Act on the Amalgamation of Deposit Banks to decide that its member credit institutions will not be subject to the requirements stipulated by Section 6 of the EU Capital Requirements Regulation (EU 575/2013) and other EU statutes issued on the basis of the Regulation regarding the liquidity of credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim.

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 market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over 2% of the aggregate amount of own funds. The Savings Banks Amalgamation does not have a trading book and the Amalgamation's business does not involve taking commodity risk.

The amendments to the EU's Capital Requirements Regulation (CRR3), which will implement the final Basel III regulation in the EU, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation. The amendments are scheduled to enter into force on 1 January 2025.

CAPITAL ADEQUACY'S MAIN ITEMS

Own Funds (EUR 1,000)	**30.6.2024**	**31.12.2023**
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,147,901	1,087,314
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-55,164	-55,909
Common Equity Tier 1 (CET1) capital	1,092,737	1,031,404
Tier 1 capital (T1 = CET1 + AT1)	1,092,737	1,031,404
Tier 2 (T2) capital before regulatory adjustments	2,699	3,015
Tier 2 (T2) capital	2,699	3,015
Total capital (TC = T1 + T2)	1,095,436	1,034,419
Risk weighted assets	5,346,275	5,302,169
of which: credit and counterparty risk	4,696,116	4,642,885
of which: credit valuation adjustment (CVA)	28,125	37,250
of which: market risk		
of which: operational risk	622,034	622,034
Common Equity Tier 1 (as a percentage of total risk exposure amount)	20.4%	19.5%
Tier 1 (as a percentage of total risk exposure amount)	20.4%	19.5%
Total capital (as a percentage of total risk exposure amount)	20.5%	19.5%
Capital requirement		
Total capital	1,095,436	1,034,419
Capital requirement total*	697,817	638,827
of which: Pillar 2 additional capital requirement	80,194	79,533
Capital buffer	397,619	395,592

* 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 pillar 2 requirement of 1.5% set by the Financial Supervisory Authority and the country-specific countercyclical capital buffers of foreign exposures, the 1% systemic risk buffer set by the Financial Supervisory Authority, and the country-specific variable additional capital requirements for foreign exposures.

LEVERAGE RATIO

The leverage ratio of the Savings Banks Amalgamation was 8.4 (8.3%), exceeding the binding 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing its Tier 1 capital by its total leverage ratio exposure measure. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	30.6.2024	31.12.2023
Tier 1 Capital	1,092,737	1,031,404
Total leverage ratio exposures	13,027,741	12,376,045
Leverage ratio	8.4%	8.3%

RESOLUTION PLAN

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally effective from 1 January 2015 (Act on the Resolution of Credit Institutions and Investment Firms). To implement the Resolution Act, the Financial Stability Authority was established in Finland (Act on the Financial Stability Authority, 1995/2014). In April 2024, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement entered into effect from the date of the decision. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

The MREL requirement is by nature a Pillar 2 type minimum requirement that must be met continuously. According to the Financial Stability Authority's decision, the MREL requirement applied to the Savings Banks Amalgamation is 20.84% of the total risk exposure amount or 7.72% of the total exposures, whichever is higher.

The MREL requirement for Sp Mortgage Bank Plc is 15.76% of the total risk amount or 5.92% of the total exposures, whichever is higher.

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

RISK POSITION

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

The Savings Banks Group's risk management and internal control are part of the internal control of the Savings Banks Group and the Savings Banks Amalgamation and a central part of the Group's operative activities. It is the responsibility of the Central Institution to guide the operations of the Amalgamation. It provides guidelines for the securing of liquidity and solvency for enterprises belonging to it in terms of risk management, reliable administration, internal control and compliance with uniform financial statement principles in the preparation of the Amalgamation's financial statements.

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

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

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

The execution of decisions made is monitored through an approval and verification process, controls and reconciliations together with adequate follow-up reporting.

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

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

The most significant risks affecting the operations of the Savings Banks Group are credit risk, liquidity risk, interest rate risk, operational risk, and various business risks.

The Group's risks and risk management are described in more detail in the Savings Banks Group's financial statements, in note 5.

CREDIT RATINGS

On 20 October 2023, S&P Global Ratings (S&P) confirmed the long-term credit rating of the Central Bank of Savings Banks Finland Plc, acting as the central credit institution of the Savings Banks Group, at A- and its short-term credit rating at A-2. The outlook is stable.

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

SUPERVISORY BOARD, BOARD OF DIRECTORS AND AUDITORS

The Savings Banks' Union Coop General Meeting held on 14 March 2024 elected 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. The Supervisory Board had 13 members, each with a personal deputy. The chairman of the Supervisory Board was Antero Savolainen (chairman of the Board of Directors of Säästöpankki Optia) until 14 March 2024. Starting from 14 March 2024, the chairman was Arto Seppänen (chairman of the Board of Directors of Someron Säästöpankki). The deputy chairmen were Arto Seppänen (chairman of the Board of Directors of Someron Säästöpankki) until 14 March 2024 and from 14 March 2024 Timo Saraketo (chairman of the Board of Directors of Aito Savings Bank Ltd) and Björn West (chairman of the Board of Directors of Kvevlax Sparbank Ab). 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.

During the period 1 January–30 June 2024, the following persons were members of the Board of Directors of Savings Banks' Union Coop:

Pirkko Ahonen (Aito Säästöpankki Oy), chairman until 14 March 2024 and member thereafter
Robin Lindahl (independent of Savings Banks), chairman from 14 March 2024
Jari Oivo (Myrskylän Säästöpankki), deputy chairman until 14 March 2024
Heikki Paasonen (Säästöpankki Optia), deputy chairman from 14 March 2024
Ulf Sjöblom (Tammisaaren Säästöpankki Oy), member until 14 March 2024
Monika Mangs (Närpiön Säästöpankki Oy), member from 14 March 2024
Petri Siviranta (Someron Säästöpankki), member from 14 March 2024
Tuula Heikkinen (independent of Savings Banks), member
Eero Laesterä (independent of Savings Banks), member
Hannu Syvänen (Säästöpankki Sinetti), member
Simo Leisti (independent of Savings Banks), member
Veli-Pekka Mattila (Länsi-Uudenmaan Säästöpankki Oy), member

The members of the Board of Directors of the Savings Banks' Union Coop were elected at the Savings Banks' Union Coop General Meeting held on 14 March 2024 for a term extending until the next ordinary general meeting. The Board of Directors of Savings Banks' Union Coop has a quorum when more than half of the members are present.

The Chief Executive Officer of the Savings Banks' Union Coop is Karri Alameri.

At the ordinary general meeting of the Savings Banks' Union Coop held on 14 March 2024, KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor of the Central Institution. The chief auditor designated by the firm is Mikko Kylliäinen, Authorised Public Accountant.

NON-FINANCIAL REPORTING

NEW GROUP STRATEGY

On 18 June 2024, the Board of Directors of Savings Banks' Union Coop confirmed a new group strategy for the Savings Banks Group, prepared as a joint effort of all Savings Banks and the Savings Bank Centre. The Group aims to continue its long-term work to responsibly promote the financial wellbeing and prosperity of its private and corporate customers. In both finance and asset management businesses, the aim is to achieve clearly stronger growth than in recent years, while also seeing to solvency, profitability and risks. In order to accelerate its growth, the Savings Banks Group wants to provide its customers with the best service in the banking sector, achieved through speed, individuality and actively taking care of customers in individual service situations and during the customer relationship. At the same time, the Savings Banks and their owners will contribute to regional vitality through their own actions. Success in the transformation of banking and the rapid technological development challenges the entire Savings Banks Group to renew and develop its expertise. The banks and companies in the Group want to offer the most desired future positions for top talent in banking operations. The Group also aims to continue as a strong group of thriving Savings Banks, both financially and from the point of view of mutual cooperation.

RESPONSIBILITY

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

During the spring, we developed our sustainability reporting and processes to further improve our preparedness for the requirements stipulated by the new Corporate Sustainability Reporting Directive (CSRD). We published our Sustainability Report 2023 in the spring. We also published our third taxonomy report as part of our Board of Directors' report and our annual responsibility report, including a TCFD review of climate risks with regard to Savings Banks' asset management activities.

We prepared for the requirements associated with sustainable finance and sustainability regulations during the spring by conducting a double materiality assessment as required by the CSRD. The double materiality assessment was used to identify the Savings Banks Group's material sustainability themes. As part of the materiality assessment process, we have assessed and identified our stakeholders' sustainability-related wishes and needs by means of stakeholder interviews and surveys. We have also developed our ESG data collection activities in accordance with our previously created ESG data map. In the first half of the year, we analysed the energy certificate levels of residential and other properties put up as collateral for loans, as well as their locations in flood risk areas, for example. We are also in the process of finalising the climate change adaptation plan for our own operations, investments, and the carbon dioxide emissions of the loan portfolio, using the data from the emission calculations we carried out previously. We have also surveyed and assessed the Savings Banks Group's ESG risks, such as environmental and climate risks and their materiality, in the manner required by European banking regulations.

The Savings Banks Group aims to continue to integrate responsibility into our business operations and develop dialogue with our stakeholders. In the spring, we surveyed our stakeholders' responsibility-related expectations and the materiality of the impacts of our operations. We also published our new green corporate loan product in May 2024. The loan product is aimed at Finnish enterprises that make environmentally sustainable investments and promote the use of renewable energy sources. In February 2024, we also extended our energy loan campaign for current and new housing loan customers. With the energy loans, we help households transition to more energy-efficient solutions. Over 90% of the funds managed by Sp-Fund Management Company are classified as light green according to Article 8 of the EU Sustainable Finance

Disclosure Regulation. Sustainability factors and risks are also taken into account in the investment activities managed by Sp-Fund Management Company and the financing activities of the Amalgamation. In addition, principal adverse impacts on sustainability factors are taken into consideration in the investment activities managed by Sp-Fund Management Company and Sb Life Insurance.

Financial wellbeing is the most central theme of our responsibility strategy. In our business, it is a strategic priority to provide customers with the best combination of digital and personal services. The indicators we use to measure this are the Net Promoter Score and the solution rate for telephone services. The responsibility indicators we monitor on a half-yearly basis developed in the right direction. We also want to help our customers with the prevention of digital scams, and we are a prominent participant in Finance Finland's information campaign aimed at the prevention of digital scams.

Indicator and target	**Outcome 1–6/2024**
NPS for in-person, online and telephone meetings: target 80	83.8
Solution rate by phone: target 85	Private customers 82 Corporate customers 82

OPERATIONS AND PROFIT BY BUSINESS SEGMENT

BANKING SERVICES

Banks' private customers improved further in the first half of 2024. The Net Promoter Score (NPS) for Savings Banks' customer meetings maintained its upward trajectory in the first half of the year and was 83.8. The high NPS score speaks to the high quality of our customer encounters.

In February, Savings Banks continued to encourage households to make the green transition by offering energy loans to customers. During the campaign (26 Feruary-31 August 2024), Savings Bank mortgage customers receive a concrete benefit by not being charged an origination fee for their energy loans. By offering this benefit, we want to bring sustainability – which is an important value for us – to the daily lives of our customers in a concrete manner by helping them purchase solar panels or switch to a new heating system, for example.

Work on the Savings Banks Group's digitalisation projects that began in 2023 continued according to plan during the first half of the year. The first launches in the areas of customer relationship management and marketing are expected to reach our customers in late 2024. We also developed the "My finances" features of our mobile service. Customers can use our mobile service to see a clear categorisation of their income and expenses, making it even easier to plan their finances. In June, we also added new features to the mobile service to allow users to view and manage their children's fund and equity investments.

The number of private customers using Savings Banks' services extensively and concentrating their banking in Savings Banks increased during the first half of the year. In spite of the continued challenging housing market situation, the loan portfolio of the Savings Banks' private customers grew during the period. High interest rates also substantially increased our customers' demand for fixed-term investment accounts in the first half of the year.

The Savings Banks Group continued to invest in the development of the corporate customer business, and we launched two new products during the period: a company credit card and a green loan for companies. Implemented in collaboration with Visa, Business Credit is a credit card aimed at existing Savings Bank corporate customers. Demand for the new credit card product was strong during the first months following its launch.

Our green loan product helps our corporate customers promote the use of renewable energy sources, energy efficiency and the transition to a circular economy or low-emission economy. The green corporate loan supports the Savings Banks Group's responsible lending and participation in sustainability action, wherein the aim is to use the pricing of financing, for example, to guide companies to invest in the green transition. Indeed, the green loan product, which features a discount of at least 0.25 percentage points on the interest rate margin, has provided incentives for Savings Bank corporate customers to make green investments to some extent.

The Savings Banks Group's investments in the corporate customer business have been reflected in growth in the number of customers and high customer satisfaction. Among corporate customers, the Net Promoter Score (NPS) for the Savings Banks' customer meetings was excellent. The average score for the first half of the year was 83.6. The number of corporate and forestry and agriculture customers using Savings Banks' services extensively grew by 2.5% during the first half of the year.

The situation in the real estate sector and construction remained challenging in the first half of 2024. In spite of the challenging market conditions, most of the Savings Banks Group's corporate customers were able to manage their loans as agreed. The level of non-performing loans remained moderate also in these sectors.

The Savings Banks' mortgage and Central Bank operations

The objective of the Savings Banks Group's Sp Mortgage Bank is to strengthen the competitiveness of the Savings Banks Group through competitive funding and to promote the implementation of the strategy of the Savings Banks Group through its own operations. Sp Mortgage Bank is responsible for the residential mortgage loan funding of the Savings Banks Group by issuing covered bonds. On 30 June 2024, the balance sheet total of Sp Mortgage Bank was EUR 3.2 (31 December 2023: 2.6) million.

The Central Bank of Savings Banks Finland Plc is a bank owned by Savings Banks, which produces various Central Bank services for Savings Banks. On 20 October 2023, S&P Global Ratings (S&P) confirmed the long-term credit rating of the Central Bank of Savings Banks Finland Plc, acting as the central credit institution of the Savings Banks Group, at A- and its short-term credit rating at A-2. The outlook is stable.

Profit trends (comparison figures 1–6/2023)

Profit before tax of Banking Operations was EUR 63.4 (42.8) million. Net interest income totalled EUR 138.3 (118.4) million. Net fee and commission income was EUR 35.3 (34.2) million. Net investment income decreased to EUR 6.0 (-10.6) million. Other operating revenue came to EUR 10.6 (11.8) million.

A total of EUR 10.8 (0.7) million was recognised in impairments of financial assets. New LGD models were adopted during the period. The adoption of the models increased expected credit losses by EUR 6.8 million. Personnel expenses amounted to EUR 34.2 (31.8) million. At the end of the review period, the number of personnel in the Banking Operations segment was 917 (31 December 2023: 921). Other operating expenses and depreciation amounted to EUR 81.8 (78.5) million.

The balance sheet total of Banking Operations was EUR 12.7 (31.12.2023: 12.1) billion. Loans and advances to customers increased to EUR 9.8 (9.5) billion. Deposits received from customers amounted to EUR 7.0 (7.0) billion.

ASSET MANAGEMENT SERVICES

For Asset Management Services, the year 2024 began much like the previous year. The investment markets expected central banks to start rate cuts, which would promote the positive development of fixed income and equity investments. As June approached, a change of direction in the ECB's interest rate policy appeared likely, and sales of Asset Management Services in April and May were better than in the preceding months by a clear margin. Consequently, sales in H1 were ultimately higher than in the previous year. The growth of Savings Bank Private Banking Services and Asset Management Services for corporate customers was strong during the first half of the year, as expected.

The Savings Banks developed their services across all channels. The final deployments associated with the core banking system renewal for Asset Management Services were successfully carried out in June, resulting in improved process efficiency for the Savings Banks Group and better services for customers.

The operations of Sb Life Insurance Ltd and Sp-Fund Management Company Ltd were undisrupted throughout the review period and the customer experience remained good.

Net subscriptions to funds managed by Sp-Fund Management Company and the insurance saving products of Sb Life Insurance were positive during the period under review.

Sp-Fund Management Company's market share among Finnish fund management companies was 3.0% at the end of June. The number of new continuous fund saving agreements signed increased by 17.4% year-on-year. Calculated in terms of the number of transactions, 61.8% of fund subscriptions and 24.4% of continuous fund saving agreements were made on a self-service basis using digital channels. Fund capital increased by 6.9% from the end of the year and amounted to EUR 5.0 billion at the end of June. Net subscriptions to funds managed by Sp-Fund Management Company totalled EUR 131.5 million. The number of fund unit holders grew by 0.6% from the end of the year. The funds had 287 643 unit holders. In terms of the number of unit holders, Sp-Fund Management Company is the fourth-largest fund management company in Finland.

At the end of June, Sp-Fund Management Company managed 24 investment funds and 8 special investment funds. The largest fund was the Savings Bank Interest Plus investment fund with capital of EUR 678.11 million. In terms of the number of unit holders, the largest of the funds was Säästöpankki Ryhti investment fund, which had 37 117-unit holders at the end of the review period. Of the funds managed by Sp-Fund Management Company, the largest amount of new capital was accumulated by Säästöpankki Lyhytkorko investment fund, with EUR 24.9 million in net subscriptions.

Endowment insurance sales increased year-on-year. Premium income from endowment insurance increased by 51.2% year-on-year. Premium income from risk insurance products decreased by 1.8%. Unit-linked insurance savings increased, totaling EUR 1 028.2 million at the end of the period.

Profit trends (comparison figures 1–6/2023)

Profit before tax for Asset Management Services came to EUR 24.5 (20.8) million. Net fee and commission income was EUR 20.4 (18.5) million. Net investment income was EUR 27.4 (19.9) million.

The total net investment income and financial income and expenses indicate the profitability of the insurance investment activities. During the review period, financial income and expenses from insurance contracts were -23.6 (-15.3) million euros.

The insurance service result was 2.8 (-0.2) million euros. The insurance service result includes business expenses of 6.9 (6.8) million euros. Insurance premium income increased to 10.2 (9.2) million euros. Insurance service expenses decreased to 6.8 (8.9) million euros. During the review period, the reversal of provisions for loss-making contracts reduced insurance service expenses by 1.8 million euros.

Operating expenses amounted to EUR 2.8 (2.8) million. Personnel expenses amounted to EUR 3.5 (3.3) million. Other operating expenses and depreciation totalled EUR 6.2 (6.4) million. The number of personnel in the Asset Management Services segment on 30 March 2024 was 64 (31 December 2023: 61).

The balance sheet total of Asset Management Services was EUR 1,171.4 (31 December 2023: 1,107.3) million.

OTHER FUNCTIONS

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

Sp-Koti is a genuinely local real estate agent franchise group that is part of the Savings Banks Group. It serves customers in more than 80 offices across Finland and in 2 locations in Spain.

MATERIAL EVENTS AFTER THE HALF-YEAR REPORT DATE

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

OUTLOOK FOR THE END OF THE YEAR

Business outlook

While various uncertainties create challenges for 2024, they 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 2024, the Savings Banks Group's business focus will again be on improving the competitiveness of the Group and implementing a customer-oriented strategy. Savings Banks are well placed to achieve this.

FURTHER INFORMATION:

Karri Alameri, CEO, tel. +358 45 656 5250
Releases and other corporate information are available on the Savings Banks Group's website at www.saastopankki.fi/saastopankkiryhma

FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS

Revenue:	Interest income, fee income, net trading income, net investment income, net life insurance income, other operating revenue
Total operating revenue:	Net interest income, net fee and commission income, net trading income, net investment income, net life insurance income, other operating revenue
Total operating expenses:	Personnel expenses, other operating expenses, depreciation and impairment charges on tangible and intangible assets
Cost to income ratio:	$\dfrac{\text{Total operating expenses}}{\text{Total operating revenue}}$
Return on equity %:	$\dfrac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}} \times 100$
Return on assets %:	$\dfrac{\text{Profit}}{\text{Total assets (average)}} \times 100$
Equity/assets ratio %:	$\dfrac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}} \times 100$

ALTERNATIVE PERFORMANCE MEASURES

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

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

THE SAVINGS BANKS GROUP'S HALF-YEAR REPORT (IFRS)

1 JANUARY – 30 JUNE 2024

SAVINGS BANKS GROUP'S INCOME STATEMENT

(EUR 1,000)	Note	1.1.–30.6.2024	1.1.–30.6.2023
Interest income	4	307,538	199,579
Interest expense	4	-168,992	-80,936
Net interest income	4	138,546	118,643
Net fee and commission income*	5	55,803	52,743
Net investment income*	6	27,825	9,241
Insurance premium revenue	11	10,217	9,235
Insurance service expenses	11	-6,817	-8,884
Net income from reinsurance contracts	11	-599	-563
Net insurance income	11	2,800	-212
Finance income and expenses of the insurance contracts	11	-23,610	-15,252
Other operating revenue		11,450	18,139
Total operating revenue		212,815	183,301
Personnel expenses		-53,518	-49,053
Other operating expenses		-65,896	-69,011
Transfers to insurance service result		6,925	6,830
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-6,959	-5,457
Total operating expenses		-119,448	-116,690
Net impairment loss on financial assets	6	-10,782	-708
Associate's share of profits		17	24
Profit before tax		82,602	65,926
Income tax expense		-16,431	-14,429
Profit, continuing operations		66,171	51,498
Profit, Lieto Savings Bank's exit from Savings Banks Group			2,712
Profit		66,171	54,210
Profit attributable to:			
Equity holders of the Group		66,171	54,210
Non-controlling interests			
Total		66,171	54,210

* The presentation of items has been changed and the comparative period data has been adjusted accordingly. The impact of the change in presentation is described in more detail in note 2 Accounting Principles, section 3.1 Changes in Presentation.

SAVINGS BANKS GROUP'S STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1.1.–30.6.2024	1.1.–30.6.2023
Other comprehensive income	66,171	54,210
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Capital gain of financial assets at fair value through other comprehensive income		-912
Total		-912
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	4,617	14,710
Deferred tax from fair value measurements	-923	-2,125
Cash flow hedges	1	42
Deferred tax from cash flow hedges		-8
Total	3,694	12,618
Total comprehensive income	69,865	65,916

SAVINGS BANKS GROUP'S STATEMENT OF FINANCIAL POSITION

Assets (EUR 1,000)	Note	1.1.–30.6.2024	1.1–31.12.2023
Assets			
Cash and cash equivalents		1,869,341	1,431,712
Loans and advances to credit institutions	6	185,935	179,140
Loans and advances to customers	6	9,813,362	9,539,206
Derivatives	9	774	16,649
Investment assets	6	856,045	895,223
Assets covering unit-linked contracts		966,641	908,402
Assets related to insurance contracts		1,818	1,073
Assets related reinsurance contracts		150	375
Investments in associates and joint ventures		151	133
Property, plant and equipment		39,332	40,605
Intangible assets		51,884	40,622
Tax assets		15,991	14,982
Other assets		142,958	138,292
Total assets		13,944,383	13,206,415

Liabilities (EUR 1,000)	Note	1.1.–30.6.2024	1.1–31.12.2023
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss	7	18,853	38,096
Liabilities to credit institutions	7	577,584	620,868
Liabilities to customers	7	6,966,401	7,016,823
Derivatives	9	179,319	174,215
Debt securities issued	7	3,633,047	2,946,738
Unit-linked contract liability		465,092	420,446
Insurance contract liability	11	580,315	571,387
Subordinated liabilities	7	3,173	3,257
Tax liabilities		68,935	68,004
Provisions and other liabilities		249,547	208,631
Total liabilities		12,742,265	12,068,464
Equity			
Basic capital		35,219	50,183
Primary capital		33,839	31,452
Reserves		260,968	242,499
Retained earnings		870,930	812,654
Total equity attributable to equity holders of the Group		1,200,955	1,136,788
Non-controlling interests		1,162	1,162
Total equity		1,202,117	1,137,950
Total liabilities and equity		13,944,383	13,206,415

SAVINGS BANKS GROUP'S STATEMENT OF CASH FLOWS

(EUR 1,000)	1.1.–30.6.2024	1.1.–30.6.2023
Cash flows from operating activities		
Profit	66,171	54,210
Adjustments for items without cash flow effect	21,361	12,996
Income taxes paid	-2,367	1,383
Cash flows from operating activities before changes in assets and liabilities	85,165	68,589
Increase (-) or decrease (+) in operating assets	-281,855	116,823
Financial assets at fair value through profit or loss	58,665	36,915
Investments, at fair value through other comprehensive income	25,115	
Financial assets at amortised cost	1,982	
Investment assets, at fair value through other comprehensive income		19,129
Investment assets, at amortized cost	-20,692	-13,739
Other unit-linked cover assets	-57,166	
Loans and advances to credit institutions	-5,663	20,059
Loans and advances to customers	-291,846	43,667
Life insurance assets	-1,818	
Assets related to reinsurance contracts	225	
Other assets	9,344	10,792
Increase (-) or decrease (+) in operating liabilities	656,518	-135,256
Liabilities to credit institutions	-42,046	171,619
Liabilities to customers	-41,936	-178,046
Debt securities issued	698,880	-20,573
Unit-linked contract liability	-1,585	
Liabilities from re-insurance contracts	126	
Other liabilities	43,079	20,497
Exit from Savings Banks Group		-128,753
Total cash flows from operating activities	459,828	50,156
Cash flows from investing activities		
Investments in shares and participations, deductions	180	
Other investments		-38,594
Investments in investment property and in property, plant and equipment and intangible assets	-17,172	-10,589
Disposals of investment property and property, plant and equipment and intangible assets	175	284
Exit from Savings Banks Group		3
Total cash flows from investing activities	-16,817	-48,896

(EUR 1,000)	1.1.–30.6.2024	1.1.–30.6.2023
Cash flows from financing activities		
Increase in subordinated liabilities		3,173
Decrease in subordinated liabilities		-665
Increase in basic capital	2,587	200
Distribution of profits	-6,696	-9,720
Other monetary increases in equity items		-971
Other monetary decreases in equity items		-1,393
Total cash flows from financing activities	-4,109	-9,376
Change in cash and cash equivalents	438,902	-9,599
Cash and cash equivalents at the beginning of the period	1,453,832	1,227,015
Cash and cash equivalents at the end of the period	1,892,734	1,217,416
Cash and cash equivalents comprise the following items:		
Cash	1,869,341	1,193,319
Receivables from central banks repayable on demand	23,392	24,097
Total cash and cash equivalents	1,892,734	1,227,015
Adjustments for items without cash flow effect		
Impairment losses on financial assets	10,782	568
Changes in fair value	-2,278	8,500
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	7,782	4,877
Effect of profit from associated companies	-17	-24
Adjustments from life insurance operations	2,551	-4,738
Other adjustments	1,160	2,233
Changes in deferred taxes	1,380	1,580
Total	21,361	12,996
Dividends received	292,796	189,334
Interest paid	126,199	34,648
Dividends received	1,439	2,638

SAVINGS BANKS GROUP'S STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Basic capital	Primary capital	Share premium	Fair value reserve	Reserve for hedging instru-ments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1.1.2023	25,224	31,452	137,588	-57,215	-51	45,091	65,726	191,138	929,668	1,177,482	1,365	1,178,847
Comprehensive income												
Profit for the period									108,209	108,209	-9	108,199
Other comprehensive income				24,421	50		-90	24,381	-1,268	23,114		23,114
Total comprehensive income				24,421	50		-90	24,381	106,941	131,322	-9	131,313
Transactions with owners												
Distribution of profits									-9,458	-9,458		-9,458
Tranfers between items			71,438				5	71,442		71,442	-193	71,249
Other changes			895	3,927		32	-102	4,753	-83,181	-78,427		-78,427
Changes that did not result in loss of control	24,960		450			-15,506		-15,056	-108	9,797		9,797
Changes in Savings Bank Group's structure												
Exit from Savings Banks Group	-1					-5,134	-29,026	-34,160	-131,209	-165,370		-165,370
Total equity 31.12.2023	50,183	31,452	210,370	-28,868	-1	24,484	36,514	242,499	812,654	1,136,788	1,162	1,137,950
Equity 1.1.2024	50,183	31,452	210,370	-28,868	-1	24,484	36,514	242,499	812,654	1,136,788	1,162	1,137,950
Comprehensive income												
Profit for the period									66,171	66,171	0	66,171
Other comprehensive income				3,693	1			3,694		3,694		3,694
Total comprehensive income				3,693	1	0	0	3,694	66,171	69,866	0	69,865
Transactions with owners												
Distribution of profits									-6,696			-6,696
Primary capital issue		2387										2,387
Tranfers between items	-14,965		14,965					14,965				0
Other changes			-190					-190	-1,199			-1,389
Total equity 30.6.2024	35,219	33,839	225,145	-25,174	0	24,484	36,514	260,968	870,930	1,206,654	1,162	1,202,117

BASIS OF PREPARATION

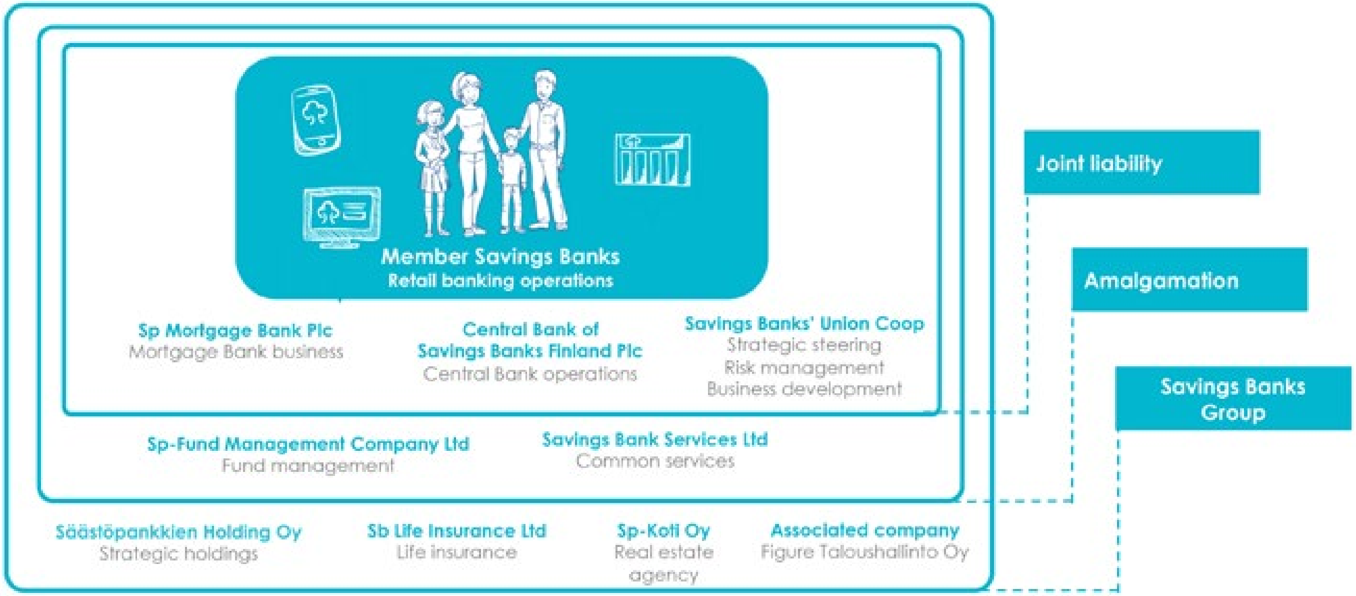
NOTE 1: DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SCOPE OF THE FINANCIAL STATEMENTS

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

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

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

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



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

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

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

NOTE 2: ACCOUNTING POLICES

1. GENERAL

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

The half-year report 1 January - 30 June 2024 is prepared in accorance with IAS 34 Interim Financial Reporting standard. The applied accounting policies in their entirety are presented in the notes to the financial statements 31 December 2023.

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

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

2. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENT

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

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

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

2.1 Determination of expected credit losses

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

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

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

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

- Considering the nature and value of receivable-related collaterals, the effect of the regional economic situation on the price level of residential properties and realization, for instance.

- Amount and timing of receivables' contractual cash flows, taking into account available counterparty information that is not included in the calculation model. Such information includes, for instance, changes in employment, the number and duration of instalment-free periods that have been applied for and changes in the scope and profitability of business operations.

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

The member banks of the Savings Banks Group have assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. At the time of reporting, the Savings Banks Group does not have significant direct or indirect sector-specific risk concentrations related to the Ukrainian, Russian or Belarusian markets. However, the changed market situation causes indirect effects that target certain industries or individual customers. The Savings Banks have increased monitoring of sectors identified as potentially having elevated risk due to the crisis.

2.2 Measurement of insurance contracts

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

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

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

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

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

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

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

Judgment related to the application of the VFA valuation model

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

Judgment related to the determination of coverage units

According to the Savings Banks Group's interpretation, for risk insurance policies (e.g. loan insurance), the coverage unit can be based on the sum insured and its estimated future development.

The coverage unit describes the amount of insurance coverage provided for the entire duration of the contract. Savings and pension insurance policies do not include insurance services, or the insurance service is negligible compared to the investment service. For these insurance policies, the coverage unit is based on the amount of insurance savings and its future development.

Judgment related to the determination of investment components

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

Judgment related to the models used in the IFRS 17 transition

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

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

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

2.3 Determing fair value

When determining fair values, the management must consider whether there is price information available in the market that can be considered a reliable indication of the financial instrument's fair value. The assessments are based on a view of the functioning of the market and the trading activity for the financial instrument in question.

On the financial statements date, the Savings Banks Group's financial instruments measured at fair value consisted mainly of listed financial assets for which a public price quotation is available or financial assets for which fair value measurement is based on verifiable market information, such as interest rate data. In the view of the management of the Savings Bank Group, the conditions regarding the functioning of the market and the trading activity of the individual financial instruments are met and, consequently, the price information obtained from the market can be considered a reliable indication of the fair value of the instruments.

The management's judgement is required in circumstances where fair value price information is not available in the market and the fair value of a financial instrument needs to be determined using a valuation technique. In such circumstances, the valuation techniques and inputs used to measure fair values are based on the management's assessment of the market practices used to measure the value of the instruments in question. The Savings Banks Group only has a small number of financial instruments whose fair value is measured using valuation techniques, and there were no substantial changes in their amount during the past financial year.

3. CHANGES IN PRESENTATION

3.1 Changes in presentation

Effective from 1 January 2024, the Savings Banks Group has changed the presentation of the income statement with regard to investment contracts recognised in accordance with IFRS 9 Financial Instruments. Previously, fee income received from customers and compensations paid to customers were recognised in the income statement item "Net fee and commission income". Under the new presentation method, fee income and compensations paid are presented as part of the measurement of investment contracts in the item "Net investment income".

Commission income from investment contracts is recognised in the item "Net fee and commission income" when the performance obligation is satisfied, at a point in time.

Going forward, the operating expenses of IFRS 17 insurance contracts (operating expenses and net fee and commission income) will be recognised in a new income statement item "Transfers to the insurance service result". Previously, the items reduced personnel expenses, IT expenses and fee expenses.

The comparison figures for the period 1 January – 30 June 2023 have been retrospectively adjusted to correspond to the new presentation method. The changes to the result for the comparison period caused by the change in the presentation method are shown in the table below.

4. CHANGES TO THE CALCULATION OF IFRS 17 INSURANCE CONTRACTS

The Savings Banks Group has adjusted the IFRS 17 insurance contracts calculation model for the comparison period 1 January–30 June 2023 with regard to the cash flow calculations used in the model. The adjustments arising from the change have been retrospectively recognised for the comparison period 1 January–30 June 2023 and presented in the income statement table below. As a result of the adjustments, the insurance liability on 30 June 2023 increased by EUR 264 thousand and equity after taxes decreased by EUR 497 thousand.

30.6.2023 (EUR 1,000)	Published	Changes in presentation	Changes in IFRS 17 accounting model	Adjusted income statement
Interest income	199,579			199,579
Interest expenses	-80,936			-80,936
Net interest income	118,643			118,643
Net fee and commission income	65,224	-12,481		52,743
Net investment income	-2,351	11,592		9,241
Insurance premium income	39,765		-30,531	9,235
Insurance service expenses	-31,132		22,248	-8,884
Net income from reinsurance contracts			-563	-563
Insurance service result	8,633		-8,846	-212
Net financial income and expenses from insurance	-22,562		7,309	-15,252
Other operating income	18,139			18,139
Total operating income	185,726	-889	-1,536	183,301
Personnel expenses	-46,971	-2,081		-49,053
Other operating expenses	-65,151	-3,859		-69,011
Deprication and impairment losses on tangliable and intangliable assests	-5,457			-5,457
Transfers to insurance service result		6,830		6,830
Total operating expenses	-117,579	889		-116,690
Impairment losses on financial assets	-708			-708
Share profits from associates	24			24
Profit before taxes	67,462		-1,536	65,926
Income taxes	-14,736		307	-14,429
Profit from the period, continuing operations	52,727		-1,229	51,498
Profits for the period, discontinuing operations from Savings Bank Group	2,712			2,712
Profit for the period	55,439		-1,229	54,210

PROFIT FOR THE PERIOD

NOTE 3: OPERATING SEGMENTS

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

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

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

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

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

Segment reporting is prepared in compliance with the accounting policies of the financial statements of the Savings Banks Group, which is described 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 1–6/2024

(EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	138,306	346	138,652
Net fee and commission income	35,267	20,361	55,628
Net investment income	6,020	27,356	33,376
Net insurance income		2,800	2,800
Finance income and expenses of the insurance contracts		-23,610	-23,610
Other operating revenue	10,653	36	10,689
Total operating revenue	190,246	27,289	217,535
Personnel expenses	-34,207	-3,505	-37,713
Other operating expenses	-81,849	-6,205	-88,055
Transfers to insurance service result		6,925	6,925
Total operating expenses	-116,057	-2,786	-118,842
Net impairment loss on financial assets	-10,782		-10,782
Profit before tax	63,407	24,503	87,910
Taxes	-11,434	-4,901	-16,335
Profit	51,973	19,603	71,575
Statement of financial position 2024			
Cash and cash equivalents	1,869,341		1,869,341
Loans and advances to credit institutions	153,452	17,572	171,024
Loans and advances to customers	9,813,362		9,813,362
Derivatives	774		774
Investment assets	680,834	171,454	852,289
Assets covering unit-linked contracts		966,641	966,641
Assets related to insurance contracts		1,818	1,818
Assets related reinsurance contracts		150	150
Other assets	227,930	13,730	241,661
Total assets	12,745,694	1,171,365	13,917,059
At fair value through profit or loss		18,853	18,853
Liabilities to credit institutions	571,318		571,318
Liabilities to customers	6,966,401		6,966,401
Derivatives	179,319		179,319
Debt securities issued	3,633,047		3,633,047
Unit-linked contract liability		465,092	465,092
Insurance contract liability		580,315	580,315
Subordinated liabilities	3,173		3,173
Other liabilities	259,326	45,708	305,034
Total liabilities	11,612,584	1,109,968	12,722,551
Number of employees at the end of the period	917	64	981

RECONCILIATIONS

(EUR 1,000)	1–6/2024	1–6/2023
Revenue		
Total revenue for reportable segments	217,535	177,390
Withdrawal from Savings Banks Group, other operations, eliminations	-4,720	5,912
Total revenue of the Group	212,815	183,301
Profit		
Total profit or loss for reportable segments	71,575	49,674
Non allocated amounts	-5,404	1,824
Withdrawal from Savings Banks Group, other operations, eliminations		2,712
Total profit of the Group	66,171	54,210

	30.6.2024	31.12.2023
Assets		
Total assets for reportable segments	13,917,059	13,177,151
Non allocated assets, other operations, eliminations	27,323	20,179
Total assets of the Group	13,944,383	13,206,415
Liabilities		
Total liabilities for reportable segments	12,722,551	12,046,562
Non allocated liabilities, other operations, eliminations	19,714	21,902
Total liabilities of the Group	12,742,265	12,068,464

INCOME STATEMENT 1–6/2023

(EUR 1,000)	Banking	Asset Management Services	Reportable segments in total
Net interest income	118,445	216	118,661
Net fee and commission income	34,184	18,479	52,663
Net investment income	-10,574	19,926	9,352
Vakuutustoiminnan nettotuotot		-212	-212
Net financial income and expenses from insurance		-15,252	-15,252
Other operating revenue	11,761	417	12,178
Total operating revenue	153,815	23,574	177,390
Personnel expenses	-31,829	-3,302	-35,130
Total other operating expenses and depreciation	-78,514	-6,350	-84,864
Transfers to insurance service result		6,830	6,830
Total operating expenses	-110,342	-2,822	-113,164
Net impairment loss on financial assets	-708		-708
Profit before tax	42,765	20,752	63,513
Taxes	-9,583	-4,261	-13,844
Profit	33,182	16,492	49,674
Statement of financial position 2023			
Cash and cash equivalents	1,431,712		1,431,712
Loans and advances to credit institutions	148,272	15,626	163,898
Loans and advances to customers	9,539,207		9,539,207
Derivatives	16,649		16,649
Investment assets	719,892	171,152	891,043
Assets covering unit-linked contracts		909,475	909,474
Assets related reinsurance contracts		375	375
Other assets	214,158	10,634	224,792
Total assets	12,069,889	1,107,262	13,177,151
At fair value through profit or loss		38,096	38,096
Liabilities to credit institutions	614,829		614,829
Liabilities to customers	7,016,823		7,016,823
Derivatives	174,215		174,215
Debt securities issued	2,946,738		2,946,738
Unit-linked contract liability		420,319	420,319
Insurance contract liability		571,387	571,387
Subordinated liabilities	3,173		3,173
Other liabilities	218,510	42,471	260,982
Total liabilities	10,974,289	1,072,273	12,046,562
Number of emplyees at the end of the period	921	61	982

NOTE 4: NET INTEREST INCOME

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

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

(EUR 1,000)	1–6/2024	1–6/2023
Interest income		
From financial assets measured at amortized cost		
Debt securities eligible for refinancing with Central Bank	1,038	299
Loans and advances to credit institutions	34,634	18,983
Loans and advances to customers	239,275	156,219
Debt securities	254	74
Total	275,202	175,574
From financial assets measured at fair value through other comprehensive income		
Debt securities eligible for refinancing with Central Bank	3,865	2,753
Debt securities	1,372	1,842
Total	5,237	4,595
From financial assets measured at fair value through profit or loss		
Debt securities	165	339
Derivative contracts		
Hedging derivatives	26,935	19,071
Total	27,100	19,409
Total interest income	307,538	199,579

(EUR 1,000)	1–6/2024	1–6/2023
Interest expenses		
From financial liabilities measured at amortised cost		
Liabilities to credit institutions	-9,452	-3,449
Liabilities to customers	-50,170	-16,487
Debt securities issued	-38,348	-23,488
Subordinated liabilities	-63	-3
Total	-98,033	-43,427
From financial liabilities measured at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	-70,959	-37,509
Total	-70,959	-37,509
Total interest expenses	-168,992	-80,936
Net interest income	138,546	118,643

NOTE 5: NET FEE AND COMMISSION INCOME

Net fee and commission income consists of the income and expenses associated with services provided to customers. Fees received for services are recognised as income after the performance obligation has been fulfilled, and the key criterion is the transfer of control. Income is recognised at the amount which the Savings Banks Group expects to be entitled to in exchange for the services performed.

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

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

Fee expenses are recognised on a performance basis.

(EUR 1,000)	1–6/2024	1–6/2023
Fee and commission income		
Lending	9,138	9,329
Deposits	116	93
Payment transfers	24,649	24,348
Securities brokerage	778	285
Mutual fund brokerage	20,264	18,910
Asset management	912	746
Legal services	2,227	1,913
Custody fees	597	725
Insurance brokerage	752	753
Guarantees	1,255	1,183
Unit-linked contracts	1,455	1,473
Other	1,356	436
Total	63,501	60,195
Fee and commission expense		
Payment transfers	-2,092	-3,289
Securities	-339	-355
Mutual fund brokerage	-129	-197
Asset management	-604	-530
Unit-linked contracts	-1,647	-1,483
Other*	-2,886	-1,598
Total	-7,698	-7,452
Net fee and commission income	55,803	52,743

* of which the most significant expenses are the shared ATM expenses amounting to EUR 1,390 (1,393) thousand.

NOTE 6: LOANS AND ADVANCES

6.1 LOANS AND ADVANCES TO CREDIT INSITUTIONS AND CUSTOMERS

Loans and advances to credit institutions and customers are primarily classified as measured at amortised cost and are consequently subject to calculation of expected credit losses.

The table below presents the gross values, allowances for expected credit losses and balance values for loans and advances by product type.

LOANS AND ADVANCES

30.6.2024 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	185,961	-135	185,826
Loans and other receivables	104	5	109
Total	186,064	-129	185,935
Loans and advances to customers			
By products			
Used overdrafts	103,603	-1,301	102,302
Loans	9,080,905	-50,180	9,030,725
Interest subsidized housing loans	526,164	-2,168	523,996
Loans granted from government funds	4		4
Credit cards and unsecured loans	158,747	-3,766	154,980
Guarantees	1,617	-263	1,355
Total	9,871,040	-57,678	9,813,362
Loans and advances total	10,057,104	-57,807	9,999,297

LOANS AND ADVANCES

31.12.2023 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits	179,046	-52	178,993
Loans and other receivables	162	-15	147
Total	179,207	-67	179,140
Loans and advances to customers			
By products			
Used overdrafts	97,567	-1,283	96,285
Loans	8,831,577	-42,301	8,789,276
Interest subsidized housing loans	505,698	-2,227	503,471
Loans granted from government funds	4		4
Credit cards	152,065	-3,248	148,816
Guarantees	1,596	-242	1,353
Total	9,588,507	-49,302	9,539,206
Loans and advances total	9,767,715	-49,369	9,718,346

6.2 INVESTMENT ASSETS

(EUR 1,000)	30.6.2024	31.12.2023
At fair value through other comprehensive income		
Debt securities	524,300	543,640
Shares and participations	2,047	3,515
Total	526,348	547,155
Fair value through profit or loss		
Debt securities	7,002	7,061
Shares and participations	207,867	243,690
Total	214,869	250,751

(EUR 1,000)	30.6.2024	31.12.2023
Amortised cost investments		
	3,994	4,417
Debt securities	92,044	73,334
Expected Credit Losses	-53	-44
Total	95,985	77,706
Investment property	18,844	19,610
Investment assets	856,045	895,223

BREAKDOWN BY ISSUER OF QUOTATION

30.6.2024 (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	186,938	560	67,521	255,019
From others	337,362	202,554	24,470	564,386
Other				
From others	2,047	11,755	3,994	17,796
Total	526,348	214,869	95,985	837,201

31.12.2023 (EUR 1,000)	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Measured at amortised cost	Total
Quoted				
From public entities	181,949	585	69,540	252,074
From others	361,692	237,548	3,750	602,989
Other				
From others	3,515	12,617	4,417	20,549
Total	547,155	250,751	77,706	875,613

6.3 IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

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

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

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

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

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 30 June 2024				
Investment assets	650,125	7,822		657,947
Loans and advances	8,240,736	1,394,294	249,061	9,884,091
Off-balance sheet items	614,918	30,646	2,307	647,871
Total	9,505,779	1,432,762	251,368	11,189,909

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial assets 31 December 2023				
Investment assets	650,061	9,552		659,613
Loans and advances	8,118,725	1,268,025	214,902	9,601,652
Off-balance sheet items	585,394	31,898	1,838	619,130
Total	9,354,180	1,309,474	216,740	10,880,394

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

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

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

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

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

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected credit losses 1 January 2024	5,025	8,590	36,796	50,410
Transfers to stage 1	600	-1,280		-680
Transfers to stage 2	-995	5,380	-1,536	2,849
Transfers to stage 3	-99	-1,466	6,316	4,750
New assets originated or purchased	2,711	154	840	3,705
Assets derecognised or repaid (excluding write offs)	-640	-821	-3,114	-4,574
Amounts written off			-3,724	-3,724
Amounts recovered			194	194
Change in credit risk	-1,412	-1,940	2,483	-869
Change in model for calculation of ECL	433	3,850	2,501	6,784
Net change in ECL	598	3,878	3,960	8,435
Expected credit losses 30 June 2024	5,622	12,468	40,756	58,846

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 2024	1,233	1,994		3,227
Transfers to stage 1	48	-1,319		-1,271
Transfers to stage 2	-16	493		477
New assets originated or purchased	57			57
Assets derecognised or repaid (excluding write offs)	-89	-113		-202
Change in credit risk	-118	-251		-369
Net change in ECL	-117	-1,190		-1,307
Expected credit losses 30 June 2024	1,116	804		1,920
Expected credit losses 30 June 2024				60,766
Total change in expected credit losses 1 January 2024 -30 June 2024				7,129

METHODS AND PARAMETERS USED IN CALCULATION OF EXPECTED CREDIT LOSSES

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

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

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

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

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

	2024	2025	2026
- Change in EuropeStoxx%	-2.9% / 8.0%	-0.5% / 10.0%	6.0% / 8.0%
- Change in GDP	0.60%	1.00%	1.0% / 1.2%
- Investments	0.50%	1.50%	1.50%

EFFECT OF CHANGES IN THE ECL MODEL

Changes in the LGD models

The LGD model previously applied in the calculation of ECL for loan contracts was based on a segmentation model, where the average LGD was estimated for three different segments. The new LGD models are modelled separately for retail and corporate exposures and consist of two components, cure rate and loss given loss. These model components take into consider-ation different variables depending on whether the exposure is classified as non-defaulted or defaulted.

Implementation of the new LGD models increased the ECL amount by EUR 6,8 million. The effect of this change is presented in the line change in the model for calculation of ECL.

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

(EUR 1,000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Expected Credit Losses 1 January 2023	3,035	5,397	36,119	44,550
Transfers to stage 1	576	-1,367	-103	-893
Transfers to stage 2	-1,018	6,573	-2,213	3,341
Transfers to stage 3	-91	-1,599	12,027	10,338
New assets originated or purchased	2,593	71	966	3,630
Assets derecognised or repaid (excluding write offs)	-708	-697	-5,374	-6,778
Amounts written off			-7,481	-7,481
Amounts recovered			579	579
Change in credit risk	638	212	2,275	3,126
Change in model for calculation of ECL				
Net change in ECL	1,990	3,193	677	5,860
Expected Credit Losses 31 December 2023	5,025	8,590	36,796	50,410

EXPECTED CREDIT LOSSES (ECL), INVESTMENT ASSET

(EUR 1,000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Expected Credit Losses 1 January 2022	2,240	3,538	499	6,277
Transfers to stage 1	46	-1,673		-1,627
Transfers to stage 2	-80	1,398		1,317
Investments during the period	152	15		168
Investments expired	-523	-1,056	-499	-2,078
Change in credit risk	-602	-227		-829
ECL net change	-1,008	-1,543	-499	-3,050
Expected Credit Losses 31 December 2022	1,233	1,994		3,227
Total Expected Credit Losses 31 December 2022				53,637
Total change in Expected Credit Losses 1 January 2022 -31 December 2022				2,810

6.4 NET INVESTMENT INCOME

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

(EUR 1,000)	1–6/2024	1–6/2023
Net income from financial assets at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	937	1,546
Transferred from fair value reserve during the financial year	-1,336	-8,805
	-399	-7,260
Shares and participations		
Dividend income	35	1,396
	35	1,396
Total	-364	-5,863
Net income from financial asset at fair value through profit or loss		
Debt securities		
Capital gains and losses	-200	-1
Fair value gains and losses	-41	332
	-241	331
Shares and participations		
Dividend income	1,151	2,638
Capital gains and losses	-126	599
Fair value gains and losses	1,460	1,022
	2,485	4,259
Net income from foreign exchange operations	-1	-1
Fair value gains and losses from derivative contracts *	-551	751
Net income from hedge accounting		
Change in hedging instruments' fair value	-20,698	5,650
Change in hedged items' fair value	22,957	-14,133
	1,706	-7,733
Total	3,951	-3,143

* Including EUR 19 thousand (5) of the ineffective part of cash flow hedges.

(EUR 1,000)	1–6/2024	1–6/2023
Net income from investment property		
Rental and dividend income	1,940	1,844
Capital gains and losses	-42	67
Other income from investment property	46	44
Maintenance charges and expenses	-1,721	-1,760
Depreciation and amortisation of investment property	-823	-367
Rental expenses arising from investment property	-1	-1
Total	-601	-174
Other income		-15
Net income from unit-linked assets	44,108	31,895
Total net income from investment contract liabilities		
IFRS 9 – change in liabilities for investment contracts	-49,168	-26,524
IFRS 9 – investment contract premium income	48,273	30,086
IFRS 9 – claims paid for investment contracts	-18,373	-17,021
	-19,269	-13,459
Total net investment income	27,825	9,242

NOTE 7: FUNDING

7.1 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30.6.2024	31.12.2023
Liabilities to credit institutions		
Liabilities to central banks	30,000	68,000
Liabilities to credit institutions	547,584	552,868
Total	577,584	620,868
Liabilities to customers		
Deposits	7,003,154	7,045,368
Other financial liabilities	282	4
Change in the fair value of deposits	-37,035	-28,549
Total	6,966,401	7,016,823
Liabilities to credit institutions and customers	7,543,984	7,637,691

7.2 DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2024	31.12.2023
Measured at amortised cost		
Bonds	1,052,036	815,739
Covered bonds	2,544,622	2,046,356
Other		
Certificates of deposit	36,390	84,643
Debt securities issued	3,633,047	2,946,738
Of which		
Variable interest rate	729,566	495,403
Fixed interest rate	2,903,481	2,451,335
Total	3,633,047	2,946,738

ISSUED COVERED BONDS

(EUR 1,000)	Nominal value	Carrying amount	Maturity	Interest base	Coupon	Maturity date
Sp Mortgage Bank 2019	500,000	499,174	7 years	Fixed	0.05%	19.6.2026
Sp Mortgage Bank 2021	500,000	501,765	7 years	Fixed	0.01%	28.9.2028
Sp Mortgage Bank 2022	300,000	299,681	3 years	Fixed	1.00%	28.4.2025
Sp Mortgage Bank 2022	750,000	746,388	5 years	Fixed	3.13%	1.11.2027
Sp Mortgage Bank 2024	500,000	497,613	7 years	Fixed	3.25%	2.5.2031
Total	2,550,000	2,544,621				

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

7.3 SUBORDINATED LIABILITIES

(EUR 1,000)	30.6.2024 Average interest rate %	30.6.2024 Carrying amount	31.12.2023 Average interest rate %	31.12.2023 Carrying amount
Subordinated loans			4.00%	84
Other				
Debentures	4.00%	3,173	4.00%	3,173
Subordinated liabilities		3,173		3,257

7.4 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR 1,000)	30.6.2024	31.12.2023
Other financial liabilities at fair value through profit or loss*	18,853	38,096
Financial liabilities at fair value through profit or loss	18,853	38,096

* The item includes the interest in the mutual funds that are consolidated in the financial statements of the Savings Banks Group held by owners not consolidated into the Savings Banks Group.

NOTE 8: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

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

Business model assessment

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

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. The cash flow criteria is assessed separately for each instrument and if the terms of the contract include factors that cannot be considered typical terms for lending, the financial asset is classified as measured at fair value through profit or loss.

FINANCIAL ASSETS – MEASUREMENT CATEGORIES AND PRINCIPLES FOR CLASSIFICATION

Amortised cost

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

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

Measured at fair value through other comprehensive income

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

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

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

Financial assets measured at fair value through profit or loss

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

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

Classification and measruement of financial liabilities

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

- amortised cost
- fair value through profit or loss.

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

30.6.2024 (EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Non-financial assets/liabilities	Total
Cash and cash equivalents	6,184		1,863,157		1,869,341
Loans and advances to credit institutions	185,935				185,935
Loans and advances to customers	9,813,158		203		9,813,362
Derivatives					
hedging derivatives					
fair value hedges			774		774
Investment assets	95,985	526,348	214,869	18,844	856,045
Assets covering unit-linked contracts			966,641		966,641
Total assets	10,101,263	526,348	3,045,644	18,844	13,692,098
Financial liabilities at fair value through profit or loss			18,853		18,853
Liabilities to credit institutions	577,584				577,584
Liabilities to customers	6,966,401				6,966,401
Derivatives					
hedging derivatives					
fair value hedges			179,205		179,205
other than hedging derivatives			113		113
Debt securities issued	3,633,047				3,633,047
Unit-linked contract liability			465,092		465,092
Subordinated liabilities	3,173				3,173
Total liabilities	11,180,205		663,264		11,843,468

31.12.2023 (EUR 1,000)	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Non-financial assets/liabilities	Total
Cash and cash equivalents	6,927		1,424,785		1,431,712
Loans and advances to credit institutions	179,140				179,140
Loans and advances to customers	9,539,056		149		9,539,206
Derivatives					
hedging derivatives					
fair value hedges			16,649		16,649
Investment assets	77,706	547,155	250,751	19,610	895,223
Assets covering unit-linked contracts			908,402		908,402
Total assets	9,802,830	547,155	2,600,737	19,610	12,970,332
Financial liabilities at fair value through profit or loss			38,096		38,096
Liabilities to credit institutions	620,868				620,868
Liabilities to customers	7,016,823				7,016,823
Derivatives					
hedging derivatives					
cash flow			20		20
fair value hedges			174,081		174,081
other than hedging derivatives			115		115
Debt securities issued	2,946,738				2,946,738
Unit-linked contract liability			420,445		420,446
Subordinated liabilities	3,257				3,257
Total liabilities	10,587,686		632,757		11,220,443

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

Offsetting of financial assets and liabilities

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

30.6.2024				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	Carrying amount of financial instruments in balance sheet, net	Cash received as collateral	Cash paid as collateral	Net amount
Assets							
Derivative contracts	30,794	-360	30,433	-26,017		-6,870	137
Variation margin	328	-328					
Total	31,121	-688	30,433	-26,017		-6,870	137
Liabilities							
Derivative contracts	227,651	-615	227,036	-26,017		-87,655	121,831
Repurchase agreements	73	-73					
Total	227,724	-688	227,036	-26,017		-87,655	121,831

31.12.2023				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Carrying amount of financial instruments in balance sheet, net	Cash received as collateral	Cash paid as collateral	Net amount
Varat							
Johdannaissopimukset	31,810	-50	31,760	-22,908		-9,350	842
Yhteensä	31,810	-50	31,760	-22,908		-9,350	842
Velat							
Johdannaissopimukset	219,613	-14	219,599	-22,908		-84,329	124,668
Takaisinostosopimukset	36	-36	72				
Yhteensä	219,649	-50	219,671	-22,908		-84,329	124,668

NOTE 9: DERIVATES AND HEDGE ACCOUNTING

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

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

The effective portion of the fair value changes of derivatives hedging cash flow is recognised in the hedging instrument reserve in equity, adjusted with deferred taxes. The ineffective portion of fair value change is recognised directly in the income statement under "Net investment income". The cumulative change in the fair value reserve resulting from valuation of a hedging derivative is recognised in profit or loss as an adjustment of the hedged cash flow simultaneously with recognising the hedged cash flow. Interest on hedging derivatives is presented as interest income and expense depending on their nature. On reporting date, the Savings Banks Group did not have any cash flow hedges.

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

Presented below are fair values of derivative contracts together with nominals divided into categories based on remaining maturity for continuing operations.

30.6.2024	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	**less than 1 year**	**1–5 years**	**more than 5 years**	**Total**	**Assets**	**Liabilities**
Non-hedging derivative contracts						
Interest rate derivatives		25,000	20,000	45,000		-113
Hedging derivative contracts						
Fair value hedging*						
Interest rate derivatives	556,000	2,565,000	723,000	3,844,000	774	-179,205
Total	556,000	2,590,000	743,000	3,889,000	774	-179,319

* Fixed rate deposits (Liabilities to customers) designated as hedged items in fair value hedging have total nominal value of EUR 941,000 thousand and total carrying value of EUR 903,965 thousand. Fixed rate issued bonds (Debt securitues issued) designated as hedged items in fair value hedging have total nominal value of EUR 2,748,000 thousand and total booking value of EUR 2,618,361 thousand. Fixed rate deposits (Liabilities to credit institutions) designated as hedged items in fair value hedging have total nominal value of EUR 200,000 thousand and total booking value of EUR 199,421 thousand. Nominal values of hedging instruments equal to the nominal values of hedged items.

31.12.2023 (EUR 1,000)	Nominal value / remaining maturity less than 1 year	1–5 years	more than 5 years	Total	Fair value Assets	Liabilities
Non-hedging derivative contracts						
Interest rate derivatives	5,000			5,000		1
Hedging derivative contracts						
Fair value hedging*						
Interest rate derivatives	191,000	2,973,000	253,000	3,417,000	16,649	174,194
Cash flow hedging**						
Interest rate derivatives	10,000			10,000		20
Total	206,000	2,973,000	253,000	3,432,000	16,649	174,215

HEDGED CASH FLOWS ARE EXPECTED TO AFFECT PROFIT OR LOSS DURING THE FOLLOWING PERIODS:

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

NOTE 10: FAIR VALUES BY VALUATION TECHNIQUE

FAIR VALUE MANAGEMENT

The Savings Banks Group measures assets and liabilities at amortised cost or at fair value. Financial assets and liabilities that are classifed as to be measured at fair value are measured at fair value. The breakdown of financial assets and liabilities into measurement categories is presented in note 8.

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

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

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

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

FAIR VALUE HIERARCHY

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

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

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

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

TRANSFERS BETWEEN THE HIERARCHY LEVELS

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

The table presents carrying amounts and fair values of financial assets and liabilities as well as investment properties and break down of fair values into the levels of fair value hierarchy for continuing operations. The vair values presented exclude accrued interest.

30.6.2024	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	2,078,229	2,065,474		12,755	2,078,229
Asset Management Services*/**	966,641	953,418		13,223	966,641
Derivative contracts					
Banking	774		774		774
Fair value through other comprehensive income					
Banking	526,348	519,825	1,479	5,044	526,348
Measured at amortised cost					
Investments, Banking	95,985	76,147	19,838		95,985
Loans and other receivables, Banking	10,005,278		11,345,243		11,345,243
Total financial assets	13,673,255	3,614,864	11,367,334	31,022	15,013,220
Investment property					
Banking	18,844			33,117	33,117
Total	18,844			33,117	33,117

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

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

30.6.2024	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					
Banking	18,853	18,853			18,853
Asset Management Services*/**	465,092	465,092			465,092
Derivative contracts					
Banking	179,319		179,319		179,319
Measured at amortised cost					
Banking	11,180,205	3,576,873	6,574,455	908,126	11,059,454
Total financial liabilities	11,843,468	4,060,818	6,753,774	908,126	11,722,717

* 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 2024	13,491	13,799	27,290
Purchases	417	386	803
Sales	-1,736	-643	-2,379
Matured during the period			
Changes in value recognised in income statement, realised	302	-13	289
Changes in value recognised in income statement, unrealised	-20	-307	-327
Transfers from level 1 and 2	301		301
Carrying amount 30 June 2024	12,755	13,223	25,978

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Management Services	Total
Carrying amount 1 January 2024	3,258		3,258
Matured during the period	-14		-14
Changes in value recognised in comprehensive income statement	178		178
Transfers from level 1 and 2	1,622		1,622
Carrying amount 30 June 2024	5,044		5,044

Realized gains and losses in the income statement are included in the item Net investment income.

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

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

30.6.2024 (EUR 1,000)	Carrying amount	Effect of hypothetical changes' on profit, negative
At fair value through profit or loss		
Banking	12,755	-25
Asset Management Services	13,223	-2,023
	25,978	-2,048
Fair value through other comprehensive income		
Banking	5,044	-28
	5,044	-28
Total	31,022	-2,075

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

31.12.2023 Financial assets (EUR 1,000)	Carrying amount	Fair value by hierarchy level Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	1,526,033	1,512,541		13,491	1,526,033
Asset Management Services*/**	1,058,055	1,044,256		13,799	1,058,055
Derivative contracts					
Banking	16,649		16,649		16,649
Fair value through other comprehensive income					
Banking	547,155	541,800	2,097	3,258	547,155
Measured at amortised cost					
Investment assets, banking	77,706	70,756	1,996		57,638
Loans and advances, banking	9,725,124		11,324,344		11,324,344
Total financial assets	12,950,722	3,169,354	11,345,086	30,549	14,544,989
Investment property					
Banking	19,610			37,219	33,117
Total	19,610			37,219	33,117

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

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

31.12.2023 Financial liabilities (EUR 1,000)	Carrying amount	Fair value by hierarchy level Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking					
Asset Management Services*/**	458,542	458,542			458,542
Banking	174,215		174,215		174,215
Measured at amortised cost					
Banking	10,587,686	2,905,561	6,554,614	1,085,937	10,546,112
Total financial liabilities	11,220,443	3,364,103	6,728,829	1,085,937	11,178,869

* 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)	Pankki-toiminta	Varallisuuden-hoidon palvelut	Yhteensä
Carrying amount 1 January 2023	14,980	15,783	30,764
Purchases	1,038	248	1,286
Sales	-1,760	-975	-2,735
Matured during the period	-1,505		-1,505
Changes in value recognised in income statement, realised	-26	-10	-36
Changes in value recognised in income statement, unrealised	-318	-1,246	-1,564
Transfers from level 1 and 2	1,085		1,085
Transfers between levels 1 and 2	-4		-4
Carrying amount 31 December 2023	13,491	13,799	27,290

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

Fair value through other comprehensive income (EUR 1,000)	Banking	Asset Manage-ment Services	Total
Carrying amount 1 January 2023	4,030		4,030
Sales	-1,458		-1,458
Changes in value recognised in comprehensive income statement	-136		-136
Transfers from level 1 and 2	823		823
Carrying amount 31 December 2023	3,258		3,258

Changes in fair value recognized in the income statement during the year are included in the item Net investment 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

30.6.2024 (EUR 1,000)	Carrying amount	Negative effect of hypothetical changes' on profit
At fair value through profit or loss		
Banking	13,491	-25
Asset Management Services	13,799	-2,112
	27,290	-2,137
Fair value through other comprehensive income		
Banking	3,258	-44
	3,258	-44
Total	30,549	-2,182

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

NOTE 11: INSURANCE CONTRACTS

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

Insurance policies concerning loan insurance granted by the Savings Banks Group are classified as insurance contracts because they always entail a significant insurance risk. Savings and pension insurance policies are classified as insurance contracts when they have a significant insurance risk or include the right to discretionary additional benefits. Savings and pension insurance policies have a significant insurance risk when, according to the Savings Banks Group's estimate, the benefit payable in the event of death exceeds 105% of the value of the insurance savings (significant mortality risk) or is less than 95% of the value of the insurance savings (significant longevity risk).

Insurance contracts and investment contracts granted by the Savings Banks Group which include the right to discretionary additional benefits contracts are treated in the Savings Banks Group's financial statements in accordance with the IFRS 17 Insurance Contracts standard. Investment contracts which do not include the right to discretionary additional benefits are treated in accordance with the IFRS 9 Financial Instruments standard. Reinsurance contracts in which the Savings Banks Group acts as the policyholder are treated in accordance with IFRS 17 as insurance contracts.

RECOGNITION OF INSURANCE CONTRACTS

Insurance contracts are divided into portfolios. The contracts in each portfolio are subject to similar risks and are managed together. Portfolios are divided into annual cohorts according to the date of initial recognition. Each annual cohort contains contracts whose initial recognition dates fall on the same calendar year. The cohorts are further divided into the following groups on the basis of the revenue expectations on the date of initial recognition of the contracts:

- contracts that are loss-making at the time of initial recognition
- contracts that are not loss-making at the time of initial recognition; and
- other contracts.

The Savings Banks Group determines the loss component of insurance contracts at the contract level on the basis of the estimated future cash flows arising from the performance of the contract. In connection with the transition to IFRS 17 and initial recognition, the Savings Banks Group has only identified contracts that are loss-making at the time of initial recognition and contracts that are not loss-making at the time of initial recognition.

Each group of granted insurance contracts is recognised in accounting on the earliest of the following dates:

- the date on which the insurance period of the insurance contract group begins,
- the date on which the first payment from a policyholder in the group is due; or
- for a group of loss-making contracts, the date on which the group becomes loss-making.

A contract is removed from the balance sheet when it expires, i.e. when the obligation specified in the insurance contract expires, is fulfilled or cancelled, or when the contract is amended so that a new contract with new terms and conditions is recognised.

PRESENTATION OF INSURANCE CONTRACTS

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

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

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

The finance income and expenses of the insurance contracts are items arising from financial risk and the discounting of insurance contract liabilities and the resulting change in the carrying amount of insurance contract liabilities. The Savings Banks Group presents the finance income and expenses of the insurance contracts entirely in the income statement.

The rights and obligations arising from insurance contracts are netted and the net amount is presented on the balance sheet as either assets or liabilities at the portfolio level.

INSURANCE SERVICE RESULT

(EUR 1,000)	30.6.2024	30.6.2023
Insurance premium revenue		
Expected claims incurred	1,877	1,758
Expected other directly allocated insurance service costs	7,167	6,772
Changes in risk adjustment (other than adjustments related to funding risks)	275	293
Contractual service margin of services produced during the period	1,818	1,040
Experience adjustments	-919	-630
Total insurance premium revenue*	10,217	9,235
Insurance service expenses		
Actual claims incurred	-697	-734
Actual other directly allocated insurance service costs	-6,294	-6,340
Onerous contracts	455	-1,364
Changes arising from insurance events occurred in services for past periods	-282	-446
Total insurance service expenses*	-6,817	-8,884
Total net income from reinsurance contracts	-599	-563
Insurance service result	2,800	-212

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

NET INSURANCE FINANCE EXPENSES

(EUR 1,000)	30.6.2024	30.6.2023
Unwinding of discount of insurance liability	-8,711	-8,556
Change in financial assumptions	-14,728	-6,774
Other changes	-172	78
Total net insurance finance income / expenses*	-23,610	-15,252

MEASUREMENT OF INSURANCE CONTRACTS

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

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

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

Service margin revenue is recognised over the validity of the insurance contract. If a group of insurance contracts is expected to be loss-making, the loss component is recognised as an expense in the income statement at the time of initial recognition.

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

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

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

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

DETERMINATION OF CASH FLOWS

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

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

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

DETERMINATION OF THE DISCOUNT RATE

The time value of money is taken into account in all of the applied valuation models by discounting the expected future cash flows. The Savings Banks Group has determined the discount rates by using a bottom-up approach, where the applied risk-free interest rates are based on the yield curve determined by EIOPA, to which a liquidity premium calculated on a product group-specific basis is added. All of the Savings Banks Group's current insurance product groups are liquid by nature and therefore the risk-free yield curve is not adjusted with a liquidity premium. For new products, the Savings Banks Group assesses their liquidity characteristics and the need to adjust the risk-free yield curve with a liquidity premium.

For insurance contracts without a direct participation feature, a so called locked-in rate is applied. This means that the discount rate is determined at initial recognition and is applied in the measurement of CSM.

The unwinding of interest rates, the effects of changes in interest rates and other financial assumptions are presented in the income statement as insurance finance income or expenses. The Savings Banks Group has decided not to apply the option allowed under IFRS 17 to recognise these effects in other comprehensive income.

INSURANCE CONTRACT LIABILITIES AND ASSETS

(EUR 1,000)	30.6.2024	31.12.2023
Liabilities for the remaining coverage period	573,064	562,423
The liabilities arising from actual insurance events	7,251	8,964
Total insurance contract liabilities	580,315	571,387
Total insurance contract assets	1,818	1,073
Reinsurance contract assets	150	375

INSURANCE CONTRACT LIABILITY CHANGE ANALYSES:

2024 (EUR 1,000)	Liabilities for the remaining coverage period Without the loss component	Loss component	The liabilities arising from actual insurance events	Total
Insurance contract liabilities 1 January 2024	562,069	354	8,964	571,387
Insurance contract assets 1 January 2024	-2,704	732	898	-1,073
Insurance contract liability (net) 1 January 2024	559,365	1,086	9,862	570,314
Insurance premium revenue	-10,217			-10,217
Actual claims incurred and other directly allocated insurance service expenses			6,991	6,991
Changes in estimates related to actual insurance events in past periods			282	282
Changes in the loss component		-455		-455
Net insurance finance expenses	23,572	12	27	23,610
Investment component	-19,506		19,506	
Changes recognised in the income statement, total	-6,152	-444	26,806	20,210
Cash flows for the financial year				
Insurance premiums received	16,840			16,840
Claims paid			-22,246	-22,246
Payments for expenses directly allocated to insurance contracts			-6,622	-6,622
Total cash flows	16,840		-28,868	-12,028
Insurance contract liabilities 30 June 2024	572,431	633	7,251	580,315
Insurance contract assets 30 June 2024	-2,377	10	549	-1,818
Insurance contract liability (net) 30 June 2024	570,054	643	7,800	578,497

2023 (EUR 1,000)	Liabilities for the remaining coverage period Without the loss component	Loss component	The liabilities arising from actual insurance events	Total
Insurance contract liabilities 1 January 2023	561,673	2,634	7,011	571,318
Insurance contract assets 1 January 2023	-1,362	147	290	-925
Insurance contract liability (net) 1 January 2023	560,311	2,781	7,301	570,393
Insurance premium revenue	-18,844			-18,844
Actual claims incurred and other directly allocated insurance service expenses			15,641	15,641
Changes in estimates related to actual insurance events in past periods			392	392
Changes in the loss component		-1,815		-1,815
Net insurance finance expenses	32,695	121	19	32,835
Investment component	-44,822		44,822	
Changes recognised in the income statement, total	-30,971	-1,694	60,874	28,209
Cash flows for the financial year				
Insurance premiums received	30,025			30,025
Claims paid			-44,936	-44,936
Payments for expenses directly allocated to insurance contracts			-13,377	-13,377
Total cash flows	30,025		-58,313	-28,288
Insurance contract liabilities 31 December 2023	562,069	354	8,964	571,387
Insurance contract assets 31 December 2023	-2,704	732	898	-1,074
Insurance contract liability (net) 31 December 2023	559,365	1,086	9,862	570,313

INSURANCE CONTRACT LIABILITY CHANGE ANALYSES:

2024 (EUR 1,000)	Present value of expected cash flows	Risk adjustment	Insurance service margin	Total
Insurance contract liabilities 1 January 2024	563,572	2,555	5,260	571,387
Insurance contract assets 1 January 2024	-11,852	1,796	8,983	-1,073
Insurance contract liability (net) 1 January 2024	551,719	4,351	14,243	570,314
Changes relating to services during the financial year:				
Service margin recognised in profit or loss			-1,818	-1,818
Change in risk adjustment recognised in profit or loss for risk expired		-278		-278
Experience adjustments	-1,241			-1,241
Changes relating to future services:				
Changes in estimates related to the insurance service margin	-7,565	-1,422	8,987	
Changes to the loss component	29	-399		-371
Effects of insurance contracts recognised during the financial year	-1,376		1,401	25
Experience adjustments to premiums received during the period relating to future services				
Changes relating to past services:				
Changes in estimates related to actual insurance events	282			282
Total	-9,871	-2,099	8,570	-3,400
Finance income and expenses arising from insurance contracts	23,545		65	23,610
Changes in the income statement, total	13,674	-2,099	8,636	20,210
Actual cash flows for the period, total	-12,028			-12,028
Insurance contract liabilities 30 June 2024	568,476	1,979	9,860	580,315
Insurance contract assets 30 June 2024	-15,110	273	13,018	-1,818
Insurance contract liability (net) 30 June 2024	553,366	2,252	22,878	578,497

2023 (EUR 1,000)	Present value of expected cash flows	Risk adjustment	Insurance service margin	Total
Insurance contract liabilities 1 January 2023	561,918	4,283	5,117	571,318
Insurance contract assets 1 January 2023	-7,947	861	6,161	-925
Insurance contract liability (net) 1 January 2023	553,971	5,144	11,278	570,393
Changes relating to services during the financial year:				
Service margin recognised in profit or loss			-2,381	-2,381
Change in risk adjustment recognised in profit or loss for risk expired		-583		-583
Experience adjustments	-239			-239
Changes relating to future services:				
Changes in estimates related to the insurance service margin	-3,551	-368	3,919	
Changes to the loss component	-1,557	-258		-1,815
Changes relating to past services:	-1,097	435	1,368	706
Changes in estimates related to actual insurance events				
Total	392			392
Yhteensä	-6,052	-774	2,906	-3,920
Finance income and expenses arising from insurance contracts	32,775		60	32,835
Changes in the income statement, total	26,723	-774	2,966	28,915
Actual cash flows for the period, total	-28,287			-28,287
Insurance contract liabilities 31 December 2023	563,572	2,555	5,260	571,387
Insurance contract assets 31 December 2023	-11,852	1,796	8,983	-1,073
Insurance contract liability (net) 31 December 2023	551,719	4,351	14,243	570,314

THE LIFE INSURANCE BUSINESS' EQUITY PRINCIPLE

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

NOTE 12: COLLATERALS

(EUR 1,000)	30.6.2024	31.12.2023
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans *	3,945,750	3,113,976
Other	208,300	220,318
Collateral given	4,154,050	3,334,294
Collateral received		
Real estate collateral	9,149,351	8,891,862
Securities	81,076	85,403
Other	242,990	244,417
Guarantees received	30,685	32,196
Collateral received	9,504,102	9,253,877

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

NOTE 13: RELATED PARTIES

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

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

There haven't been any significant changes in the transactions with related parties after 31 December 2023.

Savings Bank

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