SAVINGS BANKS GROUP'S

Half-year Report 1 January-30 June 2017

SAVINGS BANKS GROUP'S HALF-YEAR REPORT 1 JANUARY – 30 JUNE 2017

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HALF-YEAR REPORT OF THE SAVINGS BANK GROUP 1 JANUARY–30 JUNE 2016

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

Savings Banks Group continues its strong performance – start of the year very successful

The start of the year for the Savings Banks Group was very successful from the perspective of business operations. The Savings Banks Group strengthened its position as a top name in the Finnish banking market through its determined, customer-oriented work.

Our positive customer satisfaction results have confirmed that, in the midst of rapid changes, the Savings Banks Group has succeeded in adapting to the wishes of our customers. Our customers value the services they receive and their satisfaction with the operations of Savings Banks is at an excellent level.

The business of the Savings Banks Group progressed and grew as expected, strongly and in the right direction. Success was achieved in all business areas in terms of growth, financial performance and the investments. All parts of the Savings Banks Group operated strongly and achieved good results in strengthening the competitiveness of the Savings Banks.

The Savings Banks Group's total revenue was EUR 136.2 million, representing an increase of 8.5 per cent. Thanks to the successful business operations, growth could be seen in net interest income, net fee and commission income and net investment income. The strength of the increase in profit is reflected in the fact that the other operating revenue in the comparison period included EUR 8.5 million of non-recurring returns resulting from the Visa Europe transaction.

The strong increase in profit made it possible for the Savings Banks Group to increase its investments in the strengthening of its competitiveness, and, in particular, in the development of electronic services, while maintaining the current service network.

The Savings Banks Group has continued to be successful in diversifying its refinancing channels. The first operating year of Sp Mortgage Bank progressed strongly, with its credit portfolio reaching the EUR 1 billion mark in June. In the second half of 2017, Sp Mortgage Bank aims to issue the second Euro-denominated covered bond in its history.

Pasi Kämäri, the Managing Director of the Savings Banks' Union Coop, announced on 24 May 2017 that he will vacate his position as Managing Director. The search for a new Managing Director has begun. Pasi Kämäri will continue to work in his current position until 22 August 2017.

The Savings Banks Group will offer Finnish consumers and entrepreneurs a competitive and agile alternative to larger operators in handling their financial affairs in the future. The foundation of our operations is strong: excellent customer satisfaction, decision-making close to our customers, result orientation, strong capital adequacy and moderate risk-taking.

Savings Banks Group and the Savings Banks Amalgamation

The Savings Banks Group (hereinafter also "the Group") is the most long-standing banking group in Finland. It comprises Savings Banks forming the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution, and the subsidiaries and associated companies owned by the Savings Banks.

The member organisations of the Savings Banks Amalgamation (hereinafter also "the Amalgamation") form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 23 Savings Banks, Sp Mortgage Bank Plc, the Central Bank of Savings Banks Finland Plc and the companies within the consolidation groups of the above-mentioned entities as well as Sp-Fund Management Company Ltd and Savings Bank Services 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.

Savings Bank Services Ltd started its operations 1.6.2017 through a merger of SP Back Office Oy and SP Taustataiturit Oy. The company was formed out of two companies and through business transfers from three banks and its target is to enhance the competitive edge of The Savings Bank Group within the Finnish market environment by offering efficient and high quality services for the Savings Banks. The company has five offices and it employs approximately 110 people.

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

Description of the operational environment

Global economic outlook

The growth outlook of the global economy improved significantly in the first half of 2017. The growth outlook improved on a very broad front. Europe and emerging economies have accelerated their growth and begun to catch up to the United States. The outlook for emerging economies has stabilised compared to the recent years, and investor confidence in emerging markets has improved. The controlled development of the Chinese economy, in particular, has supported global economic growth and trade. From the perspective of the investment markets, the risks associated with the Chinese economy have been the subject of attention, and the positive developments relative to expectations have supported returns on investments. In the United States, economic growth is approaching the peak of the current cycle in the next few years, and there are already signs that the period of the strongest growth has been passed. Global economic growth will increase to exceed three per cent, possibly next year. However, it is very unlikely that economic growth will reach the level seen before the financial crisis.

In Europe, economic growth has accelerated and it is also noteworthy that the industrial outlook has seen a recovery. The recovery of the labour markets, which began in 2013, has continued. Unemployment in the euro zone has fallen to 9.3 per cent. The growth of industrial production and GDP have remained stable in the first half of 2017. Capacity utilisation has risen to its highest level since the financial crisis, which reflects a strong increase in industrial confidence indicators. The economic situation among households improved and consumer confidence has risen rapidly. Low interest rates and energy prices have increased the disposable income of households. Increases in housing prices and the favourable development of the investment markets have also boosted household confidence regarding the future. The European Central Bank is preparing to gradually tighten its monetary policy. Changes in monetary policy will be implemented gradually and over the long term, as inflation expectations remain low and actual inflation has not increased at the expected rate. The significance of political risks was highlighted in Europe due to a number of elections. However, the result of the French presidential elections was a favourable one for the markets and it helped stabilise expectations regarding the future of the European Union. The parliamentary elections in the United Kingdom produced a disappointing outcome for the ruling party. This can complicate the progress of the Brexit negotiations this year and next.

In the United States, the economic growth cycle has continued for a record-long time, and there were signs of growth slowing down in the first half of 2017. The situation in the U.S. labour market is exceptionally good, with unemployment having fallen to a historically low level of 4.3 per cent. The rate of new job creation has, however, declined. Growth in the financial performance of U.S. corporations has also slowed down, although it remains at a good level. Profit margins have been supported by low interest rates and low wage inflation. Industrial production continues to increase and the growth of the global economy is reflected in a higher capacity utilisation rate. In the U.S., the Trump presidency got off to a challenging start. Many legislative changes were met with resistance in the Congress and expectations towards Trump's reform programme were significantly reduced. The Federal Reserve continued to tighten its monetary policy, but the slow increase of inflation in the U.S. is reducing the pressure to increase interest rates.

Interest rate environment

Interest rates have remained low and there are no significant changes expected in the short term. The prevailing interest curve is very flat. Combined with the low basic interest rate level, this presents challenges to net interest incomes in banking. Net interest incomes are also weighed down by the liquidity regulation requirements (LCR liquidity requirements) and the European Central Bank's negative deposit interest rate.

Investment markets

The first half of 2017 was a very favourable period for the investment markets. The improved profit performance of businesses in Europe and emerging markets has been a positive surprise, which has supported strong returns in the equity markets. Long-term interest rates being low relative to expectations and corporate loans having lower risk margins have led to higher returns for fixed income investments. Consumer confidence has been very strong, which is particularly reflected in the historically low level of volatility indices. The dissipation of political risks in Europe has also supported high returns in the equity markets. The next significant risk factor is the Italian parliamentary election in early 2018. Returns in emerging markets have been exceptionally strong. The growth outlook of businesses has been supported by the depreciation of the U.S. dollar and the decrease in long-term interest rates. The currency indices of emerging markets have improved after declining for several years.

The development of the global economy will remain favourable in the second half of the year. Expected returns in the investment markets have decreased due to high returns, but there are fewer identified risk factors than there were a year ago. Problems related to the high debt of the Chinese national economy or a petering out of economic growth in the United States would quickly lead to a weaker outlook for global economic growth. This would also have a significant negative impact on the returns of equity investments and corporate loans. Nevertheless, the strong profit performance of businesses suggests that a deterioration of the trend in the equity markets is unlikely.

The economic climate in Finland

The Finnish economy has seen a clear positive turn. The factors underlying the improved situation include growth in investments and consumption as well as the strong recovery of exports. Household and business confidence in the future has improved significantly. Consumer confidence has risen to a record high level, while the household saving rate has turned negative. Willingness to make new investments has increased among businesses, which is reflected in the higher demand for loans. The demand for labour among businesses has also grown, which supports expectations of a decrease in the unemployment rate in the coming years. The long-term unemployment rate decreased for the first time since the 2008 financial crisis. The number of bankruptcies is declining and the recovery of the export market, in particular, supports positive development. However, the public-sector economy continues to face major challenges and the government's action to push forward with structural reforms has not been adequate. Changes in the political front may weaken the government's ability to operate and potentially compromise the planned actions and projects aimed at stabilising the public-sector economy. The deterioration of the economic dependency ratio adds to the pressure to implement reforms. Nevertheless, the outlook of the Finnish economy will improve in the second half of the year, and the full-year economic growth for 2017 will be close to three per cent.

The housing market in Finland

The factors that influence housing transactions (employment rate, interest rates and consumer confidence) have supported a positive climate in the housing market. In spite of speculation, the Finnish housing market has developed – and will continue to develop – moderately this year. The Savings Banks Group predicts that the housing market transaction volume will increase by 2–3 per cent this year. The number of transactions carried out by real estate agencies involving old apartments grew by approximately 0.7 per cent year-on-year. However, it should be noted that the high level of new construction activity is creating substantial differences in the housing transaction volume between different cities.

The demand for residential investments has also remained strong, in spite of certain cities seeing an excess supply of rental apartments. The excess supply is partly due to the high level of investment activity among housing funds. New construction activity in 2017 is at its highest level in more than 25 years, which is partly due to housing funds buying large quantities of apartments in newly constructed properties.

The prices of old apartments have increased in the Helsinki Metropolitan Area, while prices have decreased elsewhere in Finland. We predict that the prices of old apartments will increase by approximately 1.5–2 per cent this year in Finland as a whole. The increase in prices will be kept in check by higher supply resulting from the high level of new construction.

The Savings Banks Group's profit and balance sheet

Savings Banks Group's financial highlights (EUR 1,000)	1-6/2017	1-12/2016	1-6/2016
Revenue	162,613	304,340	155,812
Net interest income	69,116	131,693	64,735
% of revenue	42.5 %	43.3 %	41.5 %
Profit before taxes	40,488	69,603	40,201
% of revenue	24.9 %	22.9 %	25.8 %
Total operating revenue	136,229	245,376	125,499
Total operating expenses (excluding depreciations)	-83,609	-158,060	-77,115
Cost to income ratio	61.4 %	64.4 %	61.4 %
Total assets	10,488,692	10,423,646	9,718,969
Total equity	988,673	953,402	917,315
Return on equity %	3.4 %	6.2 %	3.6 %
Return on assets %	0.3 %	0.6 %	0.3 %
Equity/assets ratio %	9.4 %	9.1 %	9.4 %
Solvency ratio %	19.3 %	19.5 %	19.3 %
Impairment losses on loans and other receivables	-7,240	-8,411	-3,655

Profit trends (comparison figures 1-6/2016)

Profit before tax of the Savings Banks Group was EUR 40.5 million (EUR 40.2 million), representing an increase of 0,7%. Profit for the period was EUR 32.7 million, of which the share of the owners of the Group was EUR 32.1 million (EUR 32.0 million).

Total operating revenue totaled EUR 136.2 million (EUR 125.5 million). There was growth in net interest income, net fee and commission income and net trading income. In the comparison period the other operating revenue included a one-off profit of EUR 8.5 million relating to the sales of Visa Europe.

Regardless of the low level of market interest the net interest income grew by 6.8% being EUR 69.1 million (EUR 64.7 million). The increase in net interest income can be explained by the decrease in refinancing expenses, the adjustment of deposit interest rates in the second half of 2016, and the continued increase in lending. The share of derivatives used for the management of interest rate risks was EUR 10.7 million (EUR 10.5 million).

Net fee and commission income grew by 10.4% to EUR 39.0 million (EUR 35.4 million). In particular, fees received from funds and payment transactions experienced growth.

Net investment income totalled EUR 19.4 million (EUR 9.8 million) i.e. being double to what it was in the comparison period. Net investment income is largely made up of realised gains on available-for-sale financial assets.

Net life insurance income totalled EUR 6.4 million (EUR 5.1 million). Premiums written increased by 3.4% year-on-year. The net investment income of the Life Insurance segment also increased significantly, totalling EUR 23.7 million (EUR -0.6 million).

Other operating revenue amounted to EUR 1.2 million (EUR 10.1 million). Other operating revenue for the comparison period included EUR 8.5 million related to the Visa Europe transaction.

Operating expenses grew by 8.9% to EUR 89.6 million (EUR 82.3 million). Personnel expenses grew by 3.9% to EUR 39.3 million (EUR 37.8 million). The number of personnel as of 30 June 2017 was 1 399 (1 349). Other administrative expenses grew by 16.1% to EUR 35.0 million (EUR 30.2 million). Compared to the comparison period there was increase especially in IT-expenses and development costs. Other operating expenses totalled EUR 9.3 million (EUR 9.1 million), representing growth of 2.0%.

The Group's cost to income ratio was 61.4% (61.4%). The cost to income ratio is calculated without the impact of depreciation and amortisation.

Depreciation and impairments on property, plant and equipment and intangible assets stood at EUR 6.0 million (EUR 5.2 million) in the financial year.

The Group's impairments on loans and other receivables totalled EUR 7.2 million, or nearly double the level of the comparison period. The growth can be mostly explained by an update to the parameters of the model used to calculate impairments, which accounts for the new credit rating models that the Group adopted at the end of 2016 for private customers. When converted to annual figures, impairments on credits and other receivables were 0.20% (0.11%) of the credit portfolio. No significant changes occurred in the Group's risk position with regard to the comparison period, and the non-performing receivables remained at the level of the comparison period or 0.92% (1.01%) of the credit portfolio.

The Group's effective income tax percentage was 19.2% (19.6%).

Balance sheet and financing (comparison figures 31 December 2016)

The total assets of the Savings Banks Group totalled EUR 10.5 billion on 30 June 2017 (EUR 10.4 billion), representing growth of 0.6% from the turn of the year. The Group's return on assets was 0.3% (0.3%).

Loans and advances to customers amounted to EUR 7.4 billion (EUR 6.9 billion), growing by 6.7% from the turn of the year. Loans and advances to credit institutions amounted to EUR 37.9 million (EUR 20.9 million). The Savings Banks Group's investment assets stood at EUR 1.3 billion (EUR 1.3 billion). Life insurance assets amounted to EUR 784.4 million (EUR 708.4 million).

A letter of intent has been signed regarding the sale of Savings Banks Group's associate company Samlink Ltd with Norwegian company EVRY A/S to engage in exclusive negotiations regarding the acquisition of Samlink Ltd's entire share capital. The final agreement is estimated to be concluded by the end of the year, and, for this reason, the Samlink holdings in the Savings Banks Group's half-year report are classified as an asset held for sale. From the moment 30 June 2017 the assets are classified as held for sale, they are stated at the lower of carrying amount and fair value less costs to sell. In the Savings Banks Group's half-year report, the Samlink holdings are stated at carrying amount.

Liabilities to customers amounted to EUR 6.2 billion (EUR 6.1 billion), showing a growth of 0.7%. Liabilities to credit institutions amounted to EUR 278.2 million (EUR 227.0 million). Debt securities issued stood at EUR 2.0 billion (EUR 2.0 billion). Life insurance liabilities were at EUR 737.2 million (EUR 664.3 million), representing growth of 11.0%.

The Savings Banks Group's equity totalled EUR 988.7 million (EUR 953.4 million), growing 3.7%. The share on non-controlling interests was EUR 25.3 million (EUR 24.0 million). The growth of Group equity is mainly due to the profit for the period. The change in the fair value recorded under other comprehensive income was EUR 3.9 million during the review period. The impact of cash flow hedging on equity was EUR -0.6 million. During the review period, other comprehensive income after tax totalled EUR 3.3 million (1-6/2016: EUR 5.6 million). The Group's return on equity was 3.4% (3.6%).

Capital adequacy and risk position

Capital adequacy and leverage ratio

At the end of June 2017, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Own funds totalled EUR 969,5 million (EUR 936.6 million), of which CET1 capital accounted for EUR 919,0 million (EUR 887.9 million). The growth of CET1 capital was due to the profit for the period. During the review period, Tier 2 (T2) capital accounted for EUR 50,5 million (EUR 48.7 million), comprised of debentures. Risk-weighted assets amounted to EUR 5,012.9 million (EUR 4.805.4 million), i.e. they were 4.3 % higher than at the end of the previous year. The most significant change related to the increase in risk-weighted assets was growth in the mortgage portfolio. The capital ratio of the Savings Banks Amalgamation was 19.3 % (19.5%) and the CET1 capital ratio was 18.3 % (18.5%).

At the beginning of 2015, the capital requirement on banks became higher as Finland adopted the capital conservation buffer and the countercyclical capital buffer. The capital conservation buffer increased the capital adequacy requirement from 8% to 10.5% when calculated on the basis of risk-weighted assets. The countercyclical capital buffer will vary between 0% and 2.5%. The decision on the adoption and percentage of the countercyclical capital buffer is made quarterly by the Board of the Financial Supervisory Authority on the basis of its macroprudential analysis. In the first half of 2017, the Financial Supervisory Authority did not set a countercyclical capital buffer requirement for Finnish credit institutions.

The Financial Supervisory Authority set in December 2016 a discretionary capital conservation buffer for the Savings Banks Amalgamation according to the Act on Credit Institiitions as part of the supervisor's assessment (SREP) process. The discretionary capital conservation buffer is 0.5% in size, and it shall be filled with CET1 capital. The discretionary capital conservation buffer will enter into force on 30 June 2017.

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

Savings Banks Amalgamation's capital adequacy's main items

Own funds (EUR 1,000)	30.6.2017	31.12.2016
Own Funds	945,710	915,685
Common Equity Tier 1 (CET1) capital before regulatory adjustments	-26,689	-27,835
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**919,021**	**887,850**
Additional Tier 1 (AT1) capital before regulatory adjustments	0	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**919,021**	**887 850**
Tier 2 (T2) capital before regulatory adjustments	50,455	48,717
Total regulatory adjustments to Tier 2 (T2) capital	0	0
Tier 2 (T2) capital	**50,455**	**48,717**
Total capital (TC = T1 + T2)	**969,476**	**936,567**
Risk weighted assets	**5,012,865**	**4,805,436**
of which: credit and counterparty risk	4,478,122	4,250,278
of which: credit valuation adjustment (CVA)	75,544	98,561
of which: market risk	37,749	35,147
of which: operational risk	421,450	421,450
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.3 %	18.5 %
Tier 1 (as a percentage of total risk exposure amount)	18.3 %	18.5 %
Total capital (as a percentage of total risk exposure amount)	19.3 %	19.5 %
Capital requirement		
Total capital	969,476	936,567
Capital requirement total*	527,570	504,571
Capital buffer	441,905	431,996
Pillar 2 Additional capital requirement	25,064	
Capital buffer including the additional capital requirement	416,841	

* 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, and the country-specific countercyclical capital requirements of foreign exposures. The 0.5% Pillar 2 requirement set by the Financial Supervisory Authority has its own line on the capital adequacy table.

Leverage ratio

The leverage ratio of the Savings Banks Amalgamation was 9.3% (9.1%). The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Amalgamation's Tier 1 capital to total liabilities. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

(EUR 1,000)	30.6.2017	31.12.2016
Tier 1 capital	919,021	887,850
Leverage ratio exposure	9,899,582	9,801,832
Leverage ratio	9.3 %	9.1 %

The Savings Banks Amalgamation's capital adequacy management is described in more detail in the Savings Banks Group's financial statements of 31 December 2016.

Risk position

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

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

• Independent risk control

• Compliance function

• Internal audit

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

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

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

The Savings Banks Group's risk position has remained at a good level. The solvency of the Savings Banks Amalgamation has remained good, with non-performing loans at a low level. The Group's risks and risk management are described in more detail in the Savings Banks Group's financial statements of 31 December 2016.

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.

On 24 May 2017, the Finnish Financial Stability Authority decided to impose a minimum amount of debt eligible for bail-in on the Savings Banks Amalgamation pursuant to Chapter 8, Section 7 of the Act on the Crisis Resolution of Credit Institutions and Investment Firms (1194/2014). The minimum amount of debt eligible for bail-in must be met starting from 31 December 2018. The requirement only applies at the amalgamation level, but the Finnish Financial Stability Authority will re-evaluate whether to impose the requirement at the member credit institution level in 2018.

Credit rating

S & P Global Ratings lifted the long-term credit rating of 'BBB'+ to 'A-' for Central Bank of Savings Banks Finland Plc belonging to the Savings Banks Group and the short-term credit rating of ('A-2') on 28 April 2017, the outlook being stable. The previous credit rating estimate was made in November 2016.

Material events after the closing date

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

Outlook for the year

The Savings Banks Group's profit before tax is expected to be at the same level as in 2016. The estimate is based on the current view of economic development.

EVRY A/S and Samlink Ltd signed a letter of intent in March 2017 and are engaging in exclusive negotiations regarding the acquisition of Samlink Ltd's entire share capital. The subject of the negotiations also includes the choice of a new core banking system by Samlink Ltd's approximately 50 client banks, with EVRY A/S set to become the supplier for the new system. The letter of intent does not include Samlink Ltd's subsidiaries Paikallispankkien PP-Laskenta Oy and Project-IT Oy. The final agreement is estimated to be concluded by the end of the year, subject to approval by the competition authorities.

The potential result impacts of the negotiations with EVRY have not been taken into account in Savings Banks Group's estimated result, because the financial impacts of the transaction cannot be estimated while the negotiation process is still ongoing.

Operations and profit by business segment

Banking

The Banking segment includes the member Savings Banks, the Central Bank of Savings Banks Finland Plc and Sp Mortgage Bank Plc. The Savings Banks provide retail banking services. The Central Bank of Savings Banks acts as the central credit institution for its member banks. Sp Mortgage Bank is engaged in mortgage banking.

Mortgage Bank operations proceed as planned

The first year of operations for SP Mortgage Bank proceeded as planned and the loan portfolio reached EUR 1 billion at the beginning of June. Sp Mortgage Bank's objective is to strengthen the competitiveness of the Savings Banks Group through competitive funding and promote the strategy of Savings Banks Group's through its own activity. Sp Mortgage Banks' plans to issue its historically second euro dominated covered bond during the end of the year 2017. Covered bonds are secured by residential mortgage loans intermediated by Savings Banks.

Profit trends (comparison figures 1–6/2016)

Profit before tax of Banking segment stood at EUR 28.5 million (EUR 32.3 million). Net interest income stood at EUR 69.1 million (EUR 64.8 million), representing growth of 6.7%. The growth was due to more affordable funding costs than during the comparison period, as well as an increase in the volume of lending. Net fee and commission income amounted to EUR 28.0 million (EUR 25,8 million), showing an increase of 8.5 per cent. Net investment and trading income to EUR 20.2 million (EUR 11.5 million). Net investment and trading income is largely made up of realised capital gains on available-for-sale financial assets. Other operating revenue amounted to EUR 1.0 million (EUR 9.6 million). In the comparison year, other operating revenue included EUR 8.5 million of one-off income related to the Visa Europe trade.

Personnel expenses increased moderately to EUR 32.0 million (EUR 31.6 million). The number of personnel in the Banking segment was 1 159 (1 188) at the end of the period. The decrease in the number of personnel is due to Group-internal corporate arrangements, in which the back office functions and related personnel from three banks were transferred to Savings Bank Services Ltd as a result of a business transfer. Savings Bank Services Ltd is a part of the Savings Banks Group and the Savings Banks Amalgamation, but the company is not included in the banking operations segment. Other operating expenses and depreciations grew by 15.9% to EUR 50.6 million (EUR 43.7 million).

The total assets for banking operations amounted to EUR 9.7 billion (31 Dec. 2016: EUR 9.6 billion), representing growth of 0.9 per cent.

Loans and advances to customers grew by 6.8 per cent to EUR 7.4 billion (31 Dec. 2016: EUR 6.9 billion). The rest of the mortgage loans mediated by the Savings Banks for Aktia Real Estate Mortgage Bank, valued at approximately EUR 150 million at the time of the transfer, were transferred to to the Savings Banks and to Sp Mortgage Bank during the review period.

Asset management and life insurance segment

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

The fund capital managed by the Savings Banks Group's asset management operations totaled EUR 2.1 billion (EUR 1.6 billion) at the end of the year, representing a growth of 31.3% on the previous year. Taking into account the assets managed in accordance with asset management agreements, the total assets managed amounted to EUR 2.9 billion (EUR 2.2 billion).

The number of fund unit holders grew by 15.5% and was 173 357 unit holders (150 084 unit holders) at the end of the review period.

On 30 June 2017, the Asset Management and Life Insurance segment managed a total of 18 investment funds. In June 2017, the Säästöpankki Trendi (Trend) special investment fund was merged with the Säästöpankki Maailma (World) investment fund. The reason for the merger was the decrease in capital of the Säästöpankki Trendi fund to below the minimum of EUR 2 million stipulated in the Finnish Act on Common Funds.

Net subscriptions to the Savings Bank investment funds were a total of EUR 140.9 million during the review period.

At the end of the review period, the largest of the Savings Banks investment funds was Säästöpankki Korko Plus investment fund with capitals of EUR 499.7 million. With 35,363 unit holders, the investment fund was also the largest in terms of the number of unit holders. Savings Banks collected most of the new capital from the Säästöpankki Korko Plus investment fund, whose net subscriptions were EUR 75.2 million.

In terms of life insurance operations, the first half of the year was characterised by growth compared to the corresponding period in 2016, as premium income increased by EUR 2.8 million (3.4%). In savings products, premium income increased by EUR 2.6 million (3.4%). Particularly positive premium income development was seen in asset management policy. Risk insurance increased by EUR 0.1 million (3.4%).

The start of the year also saw the establishment of two important systems – a new insurance system for risk insurance operations in February and a new version of the savings insurance system in May.

Profit trends (comparison figures 1–6/2016)

Profit before tax for the Asset Management and Life Insurance segment was EUR 11.8 million (EUR 8.5 million).

Net life insurance income was EUR 6.4 million (EUR 5.1 million), representing an increase of 24.7% from the comparison period. Life insurance premiums written was EUR 83.5 million (EUR 80.7 million), which was 3.4% higher than a year ago. Claims incurred totalled EUR 29.9 million (EUR 22.1 million), showing growth of 35.5%. The net investment income of the Life Insurance segment was EUR 23.7 million (EUR -0.7 million).

Net fee and commission income amounted to EUR 11.2 million (EUR 9.6 million), representing growth of 16.8%. The amount of net fee and commission income rose due to increases in customer assets and managed fund capital.

Operating expenses declined by 3.9% to EUR 6.5 million (EUR 6.2 million). Personnel expenses grew by 19.9% to EUR 3.6 million (EUR 3.0 million). The number of segment personnel at the end of the period was 80 (75).

Life insurance assets amounted to EUR 769.0 million (31 Dec. 2016: EUR 708.0 million), representing growth of 8.6% Unit-linked insurance savings at the end of the period totalled EUR 596.0 million (31 Dec. 2016: EUR 516.5 million), growing 15.4%.

The total assets of Asset Management and Life Insurance operations grew by 8.8% during the period, amounting to EUR 777.7 million (31 Dec. 2016: EUR 715.0 million).

Further information:

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

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

Formulas used in calculating the financial 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 (excluding depreciations)
Cost to income ratio	$\frac{\text{Total operating expenses}}{\text{Total operating revenue}}$
Return on equity %	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}}$
Return on assets %	$\frac{\text{Profit}}{\text{Total assets (average)}}$
Equity/assets ratio %	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}}$

Alternative Performance Measures

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

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

HALF-YEAR REPORT (IFRS)

Savings Banks Group's income statement

(EUR 1,000)	Note	1-6/2017	1-6/2016
Interest income		90,905	89,860
Interest expense		-21,789	-25,125
Net interest income	4	**69,116**	**64,735**
Net fee and commission income	5	39,047	35,373
Net trading income		1,031	371
Net investment income	6	19,410	9,832
Net life insurance income	7	6,394	5,128
Other operating revenue		1,232	10,059
Total operating revenue		**136,229**	**125,499**
Personnel expenses		-39,275	-37,810
Other operating expenses		-44,333	-39,305
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-5,954	-5,155
Total operating expenses		**-89,563**	**-82,270**
Net impairment loss on financial assets	9	-7,240	-3,655
Associate's share of profits		1,062	628
Profit before tax		**40,488**	**40,201**
Taxes		-7,787	-7,890
Profit		**32,701**	**32,311**
Profit attributable to:			
Equity holders of the Group		32,060	31,960
Non-controlling interests		641	351
Total		**32,701**	**32,311**

Savings Banks Group's statement of comprehensive income

(EUR 1,000)	1-6/2017	1-6/2016
Profit	**32,701**	**32,311**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in fair value reserve		
Remeasurements of defined benefit obligation	3,896	4,351
Share of other comprehensive income of associates	-626	1,286
Total	**3,270**	**5,637**
Total comprehensive income	**35,971**	**37,948**
Attributable to:		
Equity holders of the Group	34,628	37,094
Non-controlling interests	1,343	855
Total	**35,971**	**37,948**

Savings Banks Group's statement of financial position

(EUR 1,000)	Note	30.6.2017	31.12.2016
Assets			
Cash and cash equivalents		721,479	1,100,784
Financial assets at fair value through profit or loss		24,866	118,055
Loans and advances to credit institutions	9	37,908	20,855
Loans and advances to customers	9	7,410,784	6,942,744
Derivatives	10	60,311	72,024
Investment assets	11	1,286,508	1,306,780
Life insurance assets	12	784,369	708,374
Investments in associates		0	7,086
Property, plant and equipment		54,413	56,711
Intangible assets		24,910	22,137
Tax assets		3,191	3,977
Other assets		72,916	64,119
Non-current assets classified as held for sale	13	7,037	0
Total assets		**10,488,692**	**10,423,646**
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss		15,724	108,595
Liabilities to credit institutions	14	278,169	227,049
Liabilities to customers	14	6,161,896	6,121,627
Derivatives	10	4,787	2,289
Debt securities issued	15	2,024,076	2,049,588
Life insurance liabilities	16	737,240	664,327
Subordinated liabilities		114,621	121,735
Tax liabilities		65,643	66,403
Provisions and other liabilities		97,863	108,631
Total liabilities		**9,500,019**	**9,470,245**
Equity			
Basic capital		20,338	20,338
Reserves		293,928	291,361
Retained earnings		649,075	617,709
Total equity attributable to equity holders of the Group		**963,341**	**929,408**
Non-controlling interests		25,332	23,994
Total equity		**988,673**	**953,402**
Total liabilities and equity		**10,488,692**	**10,423,646**

Savings Banks Group's statement of cash flows

(EUR 1,000)	1-6/2017	1-6/2016
Cash flows from operating activities		
Profit	32,701	32,311
Adjustments for items without cash flow effect	-5,043	22,073
Income taxes paid	-8,974	-7,829
Cash flows from operating activities before changes in assets and liabilities	**18,684**	**46,555**
Increase (-) or decrease (+) in operating assets	**-510,487**	**-285,744**
Financial assets at fair value through profit or loss	319	1,264
Loans and advances to credit institutions	-5,009	1,980
Loans and advances to customers	-474,138	-214,329
Available-for-sale financial assets	24,314	2,553
Increase in held-to-maturity financial assets	0	-383
Decrease in held-to-maturity financial assets	500	582
Life insurance assets	-48,697	-55,420
Other assets	-7,775	-21,992
Increase (-) or decrease (+) in operating liabilities	**143,655**	**530,492**
Liabilities to credit institutions	51,119	-63,145
Liabilities to customers	50,799	115,246
Debt securities issued	-20,505	427,489
Life insurance liabilities	72,913	53,789
Other liabilities	-10,672	-2,888
Total cash flows from operating activities	**-348,148**	**291,302**
Cash flows from investing activities		
Other investments	0	-704
Investments in investment property and property, plant and equipment and intangible assets	-10,267	-8,268
Disposals of investment property and property, plant and equipment and intangible assets	973	596
Total cash flows from investing activities	**-9,294**	**-8,376**
Cash flows from financing activities		
Increase in subordinated liabilities	8,561	10,894
Decrease in subordinated liabilities	-16,464	-19,746
Distribution of profits	-1,970	-1,624
Other monetary increases in equity items	0	-160
Total cash flows from financing activities	**-9,873**	**-10,636**
Change in cash and cash equivalents	**-367,316**	**272,289**
Cash and cash equivalents at the beginning of the period	**1,117,616**	**610,489**
Cash and cash equivalents at the end of the period	**750,301**	**882,778**
Cash and cash equivalents comprise the following items:		
Cash	721,479	856,273
Receivables from central banks repayable on demand	28,821	26,505
Total cash and cash equivalents	**750,301**	**882,778**
Interest received	101,497	100,766
Interest paid	24,399	29,463
Dividends received	4,075	2,432

Savings Banks Group's statement of changes in equity

(EUR 1,000)	Basic capital	Share premium	Primary capital	Fair value reserve (available for sale)	Reserve for hedging instruments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1 January 2016	**20,338**	**59,122**	**34,475**	**21,163**	**3,651**	**68,076**	**81,278**	**267,766**	**570,131**	**858,235**	**22,458**	**880,694**
Comprehensive income												
Profit									31,960	31,960	351	32,311
Other comprehensive income				3,848	1,286			5,134		5,134	503	5,637
Total comprehensive income		0	0	3,848	1,286	0	0	5,134	31,960	**37,094**	**855**	**37,948**
Transactions with owners												
Distribution of profits									-1,624	-1,624		-1,624
Tranfers between items		1,234					4,157	5,391	-5,391	0		0
Other changes				-11		45	25	60	230	290	7	297
Total equity 30 June 2016	**20,338**	**60,357**	**34,475**	**25,001**	**4,937**	**68,121**	**85,461**	**278,351**	**595,305**	**893,995**	**23,320**	**917,315**
Equity 1 January 2016	**20,338**	**59,122**	**34,475**	**21,163**	**3,651**	**68,076**	**81,278**	**267,766**	**570,131**	**858,235**	**22,458**	**880,694**
Comprehensive income												
Profit									56,361	56,361	835	57,197
Other comprehensive income				16,374	254			16,628	-194	16,434	684	17,118
Total comprehensive income		0	0	**16,374**	**254**	0	0	16,628	56,167	**72,796**	**1,519**	**74,315**
Transactions with owners												
Distribution of profits									-1,876	-1,876		-1,876
Tranfers between items		1,234					4,157	5,391	-5,391	0		0
Other changes		-3		-14		1,592		1,575	-1,322	253	17	269
Total equity 31 December 2016	**20,338**	**60,354**	**34,475**	**37,523**	**3,905**	**69,669**	**85,435**	**291,361**	**617,709**	**929,408**	**23,994**	**953,402**
Equity 1 January 2017	**20,338**	**60,354**	**34,475**	**37,523**	**3,905**	**69,669**	**85,435**	**291,361**	**617,709**	**929,408**	**23,994**	**953,402**
Comprehensive income												
Profit									32,060	32,060	641	32,701
Other comprehensive income				3,193	-626			2,567		2,568	702	3,270
Total comprehensive income		0	0	**3,193**	**-626**	0	0	2,567	32,060	**34,628**	**1,343**	**35,971**
Transactions with owners												
Distribution of profits									-1,970	-1,970		-1,970
Other changes									1,276	1,276	-4	1,271
Total equity 30 June 2017	**20,338**	**60,354**	**34,475**	**40,716**	**3,280**	**69,669**	**85,435**	**293,928**	**649,075**	**963,341**	**25,332**	**988,673**

BASIS OF PREPARATION

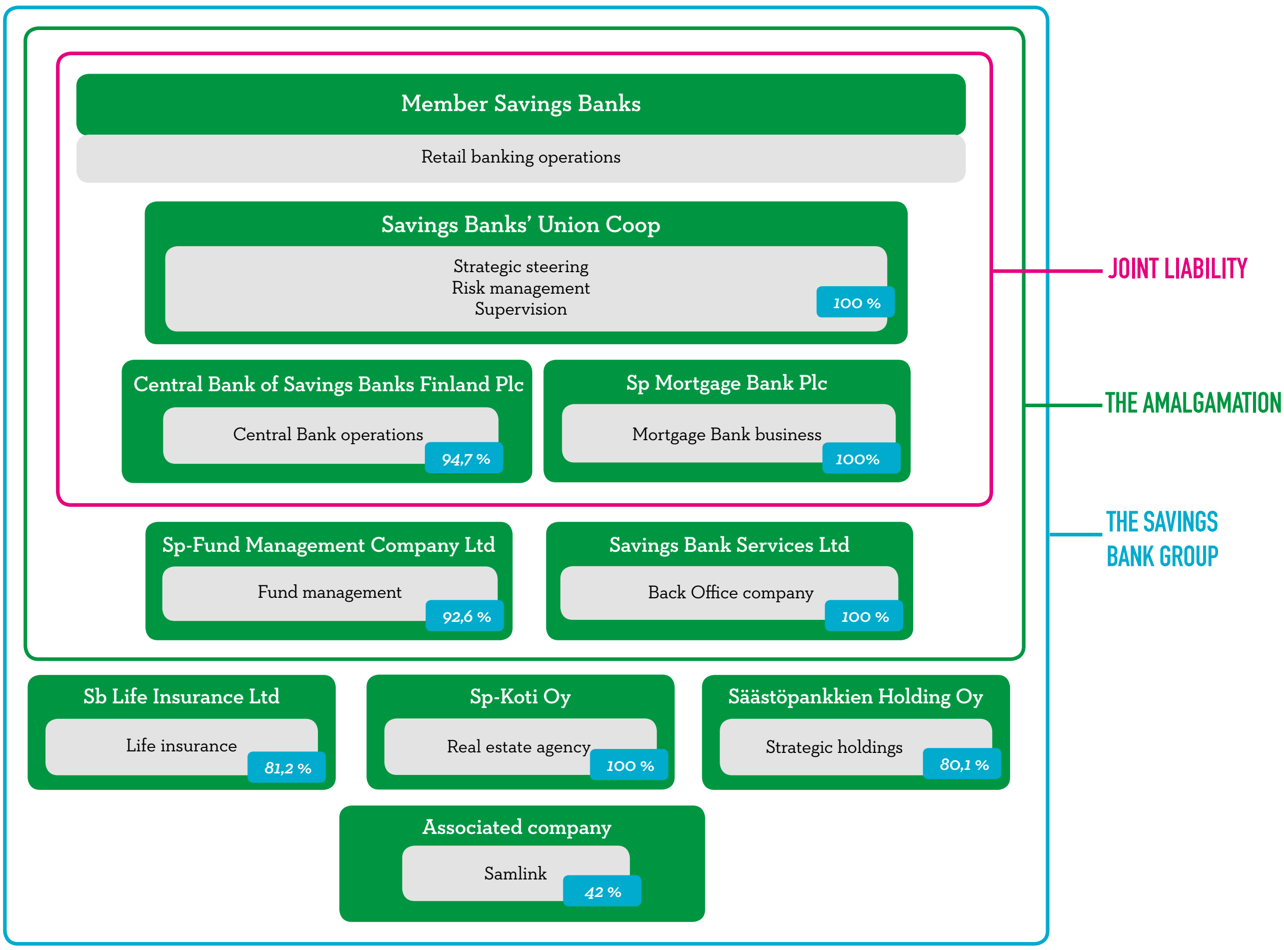
NOTE 1: DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

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

The member organisations of the Savings Banks Amalgamation (hereafter Amalgamation) form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 23 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, Sp-Fund Management Company Ltd and Savings Bank Services Ltd.

The structure of the Group differs from that of the Amalgamation so that the Group also includes organisations other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy. The Savings Banks' Union Coop and its member 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 (the red section represents the joint and several liability, the green section represents the Amalgamation and the blue section represents the Group):



Savings Bank Services Ltd started its operations 1.6.2017 through a merger of SP Back Office Ltd and SP Taustataiturit Ltd. The company was formed out of two companies and through business transfers from three banks and its target is to enhance the competitive edge of the Savings Banks Group within the Finnish market environment by offering efficient and high quality services for the Savings Banks. The company has five offices and it employs approximately 110 people. The merger was intracompany and did not have an effect on the profit and loss nor the equity of the Group.

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

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

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

NOTE 2: ACCOUNTING POLICIES

General

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

The half-year report of 1.1.-30.6.2017 has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard. Accounting principles applied in the half-year report are essentially the same as in the financial statement of 2016.

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

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

Critical accounting estimates and judgments

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

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

There have not been any major changes regarding the uncertainty requiring the Group's management to exercise judgment and make estimates and assumptions compared to the financial statement of 2016.

Implementation of the IFRS 9 standard

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

In Savings Banks Group, there is ongoing an IFRS 9 project that covers the whole Group. A Group-level project ensures the uniform application of the IFRS 9 -standard across the Group. The project is at a deployment stage, and the objective is full IFRS 9 readiness on 1 January 2018, when the application of the IFRS 9 -standard will begin. The project has been scheduled so that parallel accounting would be possible in the second half-year period of 2017. The project is advancing in accordance with the prepared schedule and plan.

Savings Banks Group has disclosed the effects of IFRS 9 in its Financial Statements 2016, including the most significant effects to the profit and financial position of the Group as well as the capital adequacy of the Savings Banks Amalgamation.

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

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

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

Pricing between the segments is based on market prices.

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

Income statement 1-6/2017 (EUR 1,000)	Banking	Asset Management and Life Insurance	Reportable segments in total
Net interest income	69,091	-11	69,080
Net fee and commission income	27,959	11,192	39,152
Net investment and trading income	20,217	732	20,949
Net life insurance income		6,394	6,394
Other operating revenue	1,016	40	1,056
Total operating revenue	**118,283**	**18,347**	**136,631**
Personnel expenses	-31,951	-3,585	-35,536
Other operating expenses and depreciation	-50,610	-2,961	-53,571
Total operating expenses	**-82,560**	**-6,546**	**-89,106**
Net impairment loss on financial assets	-7,240		-7,240
Profit before tax	**28,483**	**11,801**	**40,284**
Taxes	-5,335	-2,372	-7,707
Profit	**23,148**	**9,429**	**32,577**
Statement of financial position 30.6.2017			
Cash and cash equivalents	721,479		721,479
Financial assets at fair value through profit or loss	9,141		9,141
Loans and advances to credit institutions	37,904	322	38,227
Loans and advances to customers	7,412,344		7,412,344
Derivatives	60,311		60,311
Investment assets	1,324,220	2,005	1,326,225
Life insurance assets		769,007	769,007
Other assets	150,215	6,413	156,628
Total assets	**9,715,616**	**777,747**	**10,493,363**
Liabilities to credit institutions	278,169		278,169
Liabilities to customers	6,163,634		6,163,634
Derivatives	4,787		4,787
Debt securities issued	2,026,080		2,026,080
Life insurance liabilities		743,787	743,787
Subordinated liabilities	114,537		114,537
Other liabilities	152,931	6,189	159,120
Total liabilities	**8,740,138**	**749,976**	**9,490,115**
Number of employees at the end of the period	**1,159**	**80**	**1,239**

Reconciliations: (EUR 1,000)	1-6/2017	1-6/2016
Revenue		
Total revenue for reportable segments	136,631	126,321
Non allocated revenue, other operations	-402	-822
Total revenue of the Group	**136,229**	**125,499**
Profit		
Total profit or loss for reportable segments	32,577	32,889
Non allocated amounts	124	-578
Total profit of the Group	**32,701**	**32,311**

	30.6.2017	30.6.2016
Assets		
Total assets for reportable segments	10,493,363	9,646,983
Non allocated assets, other operations	-4 670	71,987
Total assets of the Group	**10,488,692**	**9,718,969**
Liabilities		
Total liabilities for reportable segments	9,490,115	8,695,191
Non allocated liabilities, other operations	9,904	106,464
Total liabilities of the Group	**9,500,019**	**8,801,654**

Income statement 1-6/2016 (EUR 1,000)	Banking	Asset Management and Life Insurance	Reportable segments in total
Net interest income	64,751	-13	64,737
Net fee and commission income	25,767	9,585	35,353
Net investment and trading income	11,549		11,549
Net life insurance income		5,128	5,128
Other operating revenue	9,559	1	9,560
Total operating revenue	**111,619**	**14,701**	**126,321**
Personnel expenses	-31,556	-2,991	-34,546
Other operating expenses and depriciation	-43,681	-3,172	-46,852
Total operating expenses	**-75,236**	**-6,162**	**-81,399**
Net impairment loss on financial assets	-3,655		-3,655
Share of profits or losses of associates	-466		-466
Profit before tax	**32,262**	**8,539**	**40,801**
Taxes	-6,181	-1,731	-7,912
Profit	**26,081**	**6,808**	**32,889**
Statement of financial position			
Cash and cash equivalents	856,273		856,273
Financial assets at fair value through profit or loss	16,908		16,908
Loans and advances to credit institutions	34,776	42	34,818
Loans and advances to customers	6,523,628		6,523,628
Derivatives	87,421		87,421
Investment assets	1,309,001		1,309,001
Life insurance assets		636,069	636,069
Other assets	174,894	7,969	182,864
Total assets	**9,002,902**	**644,081**	**9,646,983**
Liabilities to credit institutions	288,097		288,097
Liabilities to customers	6,039,220		6,039,220
Derivatives	1,677		1,677
Debt securities issued	1,476,524		1,476,524
Life insurance liabilities		598,025	598,025
Subordinated liabilities	137,187	213	137,400
Other liabilities	149,559	4,688	154,247
Total liabilities	**8,092,265**	**602,925**	**8,695,191**
Number of employees at the end of the period	**1,188**	**75**	**1,263**

NOTE 4: NET INTEREST INCOME

(EUR 1,000)	1-6/2017	1-6/2016
Interest income		
Debts eligible for refinancing with Central Bank	2,089	2,356
Loans and advances to credit institutions	1,035	7
Loans and advances to customers*	66,552	65,859
Debt securities	7,700	8,418
Derivative contracts		
Hedging derivatives	11,945	11,882
Other than hedging derivatives	111	141
Other	1,474	1,197
Total	**90,905**	**89,860**
* of which interest income from impaired loans	557	562
Interest expense		
Liabilities to credit institutions	3,330	2,034
Liabilities to customers	9,830	14,716
Derivative contracts		
Hedging derivatives	1,359	1,514
Other than hedging derivatives	1	31
Debt securities issued	5,819	5,199
Subordinated liabilities	1,316	1,601
Other	135	30
Total	**21,789**	**25,125**
Net interest income	**69,116**	**64,735**

NOTE 5: NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-6/2017	1-6/2016
Fee and commission income		
Lending	10,321	9,725
Deposits	462	476
Payment transfers	15,344	14,276
Securities brokerage	1,094	807
Mutual fund brokerage	11,200	8,745
Asset management	71	977
Legal services	1,710	1,560
Custody fees	620	584
From insurance brokerage	844	1,289
Guarantees	652	658
Other	1,324	1,464
Total	**43,642**	**40,561**

Fee and commission expense		
Payment transfers	1,541	1,593
Securities	695	674
Asset management	346	194
Other*	2,013	2,728
Total	**4,595**	**5,188**

*of which the most significant expenses are the shared ATM expenses amounting to EUR 907 thousand (EUR 1,133 thousand).

Net fee and commission income	**39,047**	**35,373**

NOTE 6: NET INVESTMENT INCOME

(EUR 1,000)	1-6/2017	1-6/2016
Net income from available-for-sale financial assets		
Debt securities		
Capital gains and losses	-187	-12
Transferred from fair value reserve during the period	1,504	1,826
Impairment losses and their reversal	-18	-219
Total Debt securities	**1,298**	**1,595**
Shares and participations		
Capital gains and losses	959	-409
Transferred from fair value reserve during the period	12,781	6,030
Impairment losses	-64	-38
Dividend income	4,048	2,432
Total shares and participations	**17,723**	**8,015**
Total	**19,022**	**9,610**

Net income from investment property		
Rental and dividend income	3,531	3,406
Capital gains and losses	304	191
Other income from investment property	34	92
Maintenance charges and expenses	-2,462	-2,498
Depreciation and amortisation of investment property	-994	-946
Rental expenses arising from investment property	-23	-24
Total	**389**	**222**

Net investment income	**19,410**	**9,832**

NOTE 7: NET LIFE INSURANCE INCOME

(EUR 1,000)	1-6/2017	1-6/2016
Premiums written		
Group's share	83,609	80,831
Insurance premiums ceded to reinsurers	-87	-86
Net investment income *	23,744	-626
Claims incurred		
Claims paid	-27,243	-20,573
Change in provision for unpaid claims	-2,673	-1,505
Change in insurance contract liabilities		
Change in life insurance provision	-69,755	-52,247
Other	-1,201	-666
Net life insurance income	**6,394**	**5,128**

* Net investment income		
Net Interest	127	438
Dividend income	422	347
Net income from investment property		60
Realised capital gains and losses		907
Unrealised gains and losses	22,848	-4,726
Other investments	3	-37
Net income from foreign exchange operation	-63	-16
Net income from unit-linked customer assets	406	2,400
Total	**23,744**	**-626**

ASSETS

NOTE 8: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30.6.2017 (EUR 1,000)	Loans and receivables	Available-for-sale	Held-to-maturity	Held-for trading	Designated as at fair value on initial recognition	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and cash equivalents	721,479							721,479
Financial assets at fair value through profit or loss					24,866			24,866
Loans and advances to credit institutions	37,908							37,908
Loans and advances to customers	7,410,784							7,410,784
Derivatives				60,311				60,311
hedging derivatives				60,220				60,220
of which cash flow hedging				5,187				5,187
of which fair value hedging				55,033				55,033
other than hedging derivatives				91				91
Investment assets		1,195,766	45,756				44,986	1,286,508
Life insurance assets*		184,573			597,755		2,042	784,369
Total assets	**8,170,172**	**1,380,339**	**45,756**	**180,841**	**622,620**	**0**	**47,027**	**10,446,756**

Financial liabilities at fair value through profit or loss					15,724			15,724
Liabilities to credit institutions						278,169		278,169
Liabilities to customers						6,161,896		6,161,896
Derivatives				4,787				4,787
hedging derivatives				4,787				4,787
of which fair value hedging				4,787				4,787
Debt securities issued						2,024,076		2,024,076
Life insurance liabilities*					597,926	136,538	2,777	737,240
Subordinated liabilities						114,621		114,621
Total liabilities	**0**	**0**	**0**	**4,787**	**613,650**	**8,715,300**	**2,777**	**9,346,088**

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

31.12.2016 (EUR 1,000)	Loans and receivables	Available-for-sale	Held-to-maturity	Held-for trading	Designated as at fair value on initial recognition	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and cash equivalents	1,100,784							1,100,784
Financial assets at fair value through profit or loss					118,055			118,055
Loans and advances to credit institutions	20,855							20,855
Loans and advances to customers	6,942,744							6,942,744
Derivatives				72,024				72,024
hedging derivatives				71,852				
of which cash flow hedging				5,678				
of which fair value hedging				66,174				
other than hedging derivatives				172				
Investment assets		1,217,701	46,454				42,625	1,306,780
Life insurance assets*		187,205			518,043		3,127	708,374
Total assets	**8,064,383**	**1,404,906**	**46,454**	**72,024**	**636,098**	**0**	**45,751**	**10,269,616**

Financial liabilities at fair value through profit or loss					108,595			108,595
Liabilities to credit institutions						227,049		227,049
Liabilities to customers						6,121,627		6,121,627
Derivatives				2,289				2,289
hedging derivatives				2,247				
of which fair value hedging				2,247				
other than hedging derivatives				42				
Debt securities issued						2,049,588		2,049,588
Life insurance liabilities*					515,377	146,574	2,376	664,327
Subordinated liabilities						121,735		121,735
Total liabilities	**0**	**0**	**0**	**2,289**	**623,972**	**8,666,574**	**2,376**	**9,295,210**

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

NOTE 9: LOANS AND ADVANCES

(EUR 1,000)	30.6.2017	31.12.2016
Loans and advances to credit institutions		
Deposits	31,220	19,232
Loans and other receivables	6,688	1,623
Total	**37,908**	**20,855**
Loans and advances to customers		
Used overdrafts	85,747	82,767
Loans	6,971,391	6,520,581
Interest subsidized housing loans	301,138	279,612
Loans granted from government funds	3,447	4,037
Credit cards	79,850	82,383
Guarantees	399	2,350
Other receivables	4,732	2,168
Impairment losses	-35,920	-31,155
Total	**7,410,784**	**6,942,744**
Total loans and advances	**7,448,692**	**6,963,599**

Impairment losses on loans and receivables (EUR 1,000)	Measured by individual contract	Measured by group	Total
Impairments 1 January 2017	**24,856**	**6,298**	**31,155**
+ increase in impairment losses	3,388	5,307	8,695
-reversal of impairment losses	-1,189	-326	-1,515
-final write-offs	-2,415		-2,415
Impairments 30 Jun 2017	**24,640**	**11,280**	**35,920**

Impairment losses on loans and receivables (EUR 1,000)	Measured by individual contract	Measured by group	Total
Impairments 1 January 2016	**20,263**	**5,701**	**25,963**
+ increase in impairment losses	9,159	2,422	11,581
-reversal of impairment losses	-993	-1,824	-2,817
-final write-offs	-3,572		-3,572
Impairments 31 December 2016	**24,856**	**6,298**	**31,155**

NOTE 10: DERIVATIVES AND HEDGE ACCOUNTING

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

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

The effective part of changes in the fair value of derivatives hedging cash flows are recognised in equity in the reserve for hedging instruments after adjustments for deferred taxes. The ineffective part of changes in fair value are recognised in the income statement under Net trading income. In addition, Net trading income includes changes in the time value of interest rate options which are recognised as hedging instruments as time value is not part of the hedging relationship. Interests on hedging derivatives are presented as interest income and expense depending on their nature.

30.6.2017	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Other than hedging derivatives						
Credit derivatives	5,000			5,000	91	
Total	**5,000**	**0**	**0**	**5,000**	**91**	**0**
Hedging derivative contracts						
Fair value hedging	166,856	1,361,311	219,000	1,747,167	55,033	4,787
Interest rate derivatives	70,000	1,285,000	219,000	1,574,000	49,925	1,967
Equity and index derivatives	96,856	76,311		173,167	5,107	2,820
Cash flow hedging		35,000	30,000	65,000	5,187	
Interest rate derivatives		35,000	30,000	65,000	5,187	
Total	**166,856**	**1,396,311**	**249,000**	**1,812,167**	**60,220**	**4,787**
Derivatives total					**60,311**	**4,787**

In the financial period 1-6/2017, EUR -782 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective portion of cash flow hedging totalled EUR 126 thousand during the period and was recognised in Net trading income.

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

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	1,588	3,188	503	5,279
Total	**1,588**	**3,188**	**503**	**5,279**

31.12.2016	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Other than hedging derivatives						
Interest rate derivatives	15,000			15,000		42
Credit derivatives	5,000			5,000	172	
Total	**20,000**	**0**	**0**	**20,000**	**172**	**42**
Hedging derivative contracts						
Fair value hedging	130,949	1,603,491	10,000	1,744,440	66,174	2,247
Interest rate derivatives	55,000	1,489,000	10,000	1,554,000	62,860	
Equity and index derivatives	75,949	114,491		190,440	3,314	2,247
Cash flow hedging		25,000		25,000	5,678	
Interest rate derivatives		25,000		25,000	5,678	
Total	**130,949**	**1,628,491**	**10,000**	**1,769,440**	**71,852**	**2,247**
Derivatives total					**72,024**	**2,289**

In the financial year 2016, EUR 318 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective portion of cash flow hedging totalled EUR - 172 thousand in the financial year 2016 and was recognised in Net trading income.

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

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	1,569	3,691	974	6,234
Total	**1,569**	**3,691**	**974**	**6,234**

NOTE 11: INVESTMENT ASSETS

(EUR 1,000)	30.6.2017	31.12.2016
Available-for-sale financial assets		
Debt securities	663,295	700,564
Shares and participations	532,471	517,137
Total	**1,195,766**	**1,217,701**
Held-to-maturity investments		
Debt securities	45,756	46,454
Total	**45,756**	**46,454**
Investment property	44,986	42,625
Investment assets	**1,286,508**	**1,306,780**

Available-for-sale financial assets and held-to-maturity investments

30.6.2017 (EUR 1,000)	Available-for-sale Debt securities	Available-for-sale shares and participations			Held-to-maturity investments	Total
	At fair value	At fair value	At cost*	Total	At amortised cost	
Quoted	631,243	524,249		524,249	45,756	1,201,248
From public entities	159,016				43,451	202,467
From others	472,227	524,249		524,249	2,305	998,782
Other than quoted	32,053	4,610	3,611	8,221		40,274
From others	32,053	4,610	3,611	8,221		40,274
Total	**663,295**	**528,860**	**3,611**	**532,471**	**45,756**	**1,241,522**

* equity instruments which do not have a quoted price in an active market and whose fair value cannot be reliably determined.

Impairment losses on available-for-sale financial assets (EUR 1,000)	Debt securities	Shares and participations	Total
Impairment losses 1 January 2017	**1,239**	**778**	**2,017**
+ increase in impairment losses	1	64	65
-reversal of impairment losses	-1,239	-203	-1,440
Impairment losses 30 Jun 2017	**1**	**639**	**640**

Available-for-sale financial assets and held-to-maturity investments

31.12.2016 (EUR 1,000)	Available-for-sale Debt securities	Available-for-sale shares and participations			Held-to-maturity investments	Total
	At fair value	At fair value	At cost*	Total	At amortised cost	
Quoted	659,731	509,653		509,653	46,454	1,215,838
From public entities	178,724				43,645	222,369
From others	481,007	509,653		509,653	2,809	993,469
Other than quoted	40,833	5,077	2,408	7,484		48,317
From others	40,833	5,077	2,408	7,484		48,317
Total	**700,564**	**514,729**	**2,408**	**517,137**	**46,454**	**1,264,155**

* equity instruments which do not have a quoted price in an active market and whose fair value cannot be reliably determined.

Impairment losses on available-for-sale financial assets (EUR 1,000)	Debt securities	Shares and participations	Total
Impairment losses 1 January 2016	**1,217**	**1,429**	**2,646**
+ increase in impairment losses	264	331	595
-reversal of impairment losses	-242	-982	-1,224
Impairment losses 31 December 2016	**1,239**	**778**	**2,017**

NOTE 12: LIFE INSURANCE ASSETS

(EUR 1,000)	30.6.2017	31.12.2016
Investments covering for unit-linked policies		
At fair value through profit or loss		
Investment funds	366,897	330,174
Asset management portfolios	109,823	93,696
Other unit-linked covering assets	119,282	92,637
Investments covering for unit-linked policies total	**596,001**	**516,506**
Other investments		
At fair value through profit or loss		
Debt securities	1,754	1,537
Total	**1,754**	**1,537**
Available-for-sale financial assets		
Debt securities	3,381	8,243
Shares and participations	181,192	178,961
Total	**184,573**	**187,205**
Other investments total	**186,327**	**188,741**
Life insurance investments	**782,328**	**705,247**
Other assets		
Other receivables	1,264	2,846
Accrued income	778	280
Total	**2,042**	**3,127**
Total life insurance assets	**784,369**	**708,374**

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

(EUR 1,000)	30.6.2017			31.12.2016		
	Debt securities	Shares and participations	Derivatives	Debt securities	Shares and participations	Derivatives
Quoted	1,754	596,001		1,537	516,506	
From others	1,754	596,001		1,537	516,506	
Total	**1,754**	**596,001**	**0**	**1,537**	**516,506**	**0**

Available-for-sale life insurance financial assets

30.6.2017	Available-for-sale Debt securities	Available-for-sale shares and participations
(EUR 1,000)	At fair value	At fair value
Quoted	3,381	176,115
From others	3,381	176,115
Other than quoted		5,076
From others		5,076
Total	**3,381**	**181,192**

Available-for-sale life insurance financial assets

31.12.2016	Available-for-sale Debt securities	Available-for-sale shares and participations
(EUR 1,000)	At fair value	At fair value
Quoted	8,243	173 885
From others	8,243	173,885
Other than quoted		5,076
From others		5,076
Total	**8,243**	**178,961**

NOTE 13: NON-CURRENT ASSETS HELD FOR SALE

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

A letter of intent has been signed regarding the sale of Savings Banks Group's associate company Samlink Ltd with Norwegian company EVRY A/S to engage in exclusive negotiations regarding the acquisition of Samlink Ltd's entire share capital. The final agreement is estimated to be concluded by the end of the year, and, for this reason, the Samlink holdings in the Savings Banks Group's half-year report are classified as an asset held for sale.

Assets (EUR 1,000)	30.6.2017	31.12.2016
Associates	7,037	
Total	**7,037**	**0**

The non-current assets classified as held for sale do not have any liabilities as of 30.6.2017.

LIABILITIES

NOTE 14: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30.6.2017	31.12.2016
Liabilities to credit institutions		
Liabilities to central banks	38,000	18,000
Liabilities to credit institutions	240,169	209,049
Total	**278,169**	**227,049**
Liabilities to customers		
Deposits	6,111,013	6,059,467
Other financial liabilities	3,614	4,362
Change in the fair value of deposits	47,269	57,798
Total	**6,161,896**	**6,121,627**
Liabilities to credit institutions and customers	**6,440,066**	**6,348,676**

NOTE 15: DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2017	31.12.2016
Measured at amortised cost		
Bonds	1,136,061	1,213,851
Secured bonds	498,615	498,460
Other		
Certificates of deposit	389,401	337,277
Debt securities issued	**2,024,076**	**2,049,588**
Of which		
Variable interest rate	528,798	642,607
Fixed interest rate	1,495 278	1,406,981
Total	**2,024,076**	**2,049,588**

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

NOTE 16: LIFE INSURANCE LIABILITIES

(EUR 1,000)	30.6.2017	31.12.2016
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	136,538	146,574
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	479,451	425,835
Liabilities for unit-linked investment contracts	118,475	89,541
Reserve arising from liability adequacy test	0	0
Other liabilities		
Accrued expenses and deferred income	995	1,651
Other	1,782	725
Life insurance liabilities	**737,240**	**664,327**

Liabilities related to insurance policies are measured in compliance with the Finnish Accounting Standards. In liability adequacy test, the adequacy of liabilities for insurance policies is compared to the liabilities derived from the internal model. The adequacy test is described in more detail in the accounting policies of the financial statements of 2016.

OTHER NOTES

NOTE 17: FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

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

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

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

Fair value hierarchy

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

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

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

Transfers between levels

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

During the period 1-6/2017, there were no transfers between levels 1 and 2.

30.6.2017	Carrying amount	Fair value by hierarchy level			Fair value
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	total
Measured at fair value					
At fair value through profit or loss					
Banking	9,141	506		8,636	**9,141**
Asset Management and Life Insurance*	597,755	596,001		1,754	**597,755**
Other operations**	15,724	15,724			**15,724**
Derivative contracts					
Banking	60,311	2,287	57,933	91	**60,311**
Available-for-sale financial assets					
Banking	1,195,766	1,152,442	11,474	31,850	**1,195,766**
Asset Management and Life Insurance	184,573	179,497		5,076	**184,573**
Measured at amortised cost					
Investments held-to-maturity					
Banking	45,756	47,785		300	**48,085**
Loans and receivables					
Banking	8,170,172		9,648,498	4,245	**9,652,742**
Total financial assets	**10,279,198**	**1,994,241**	**9,717,905**	**51,952**	**11,764,098**

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

30.6.2017	Carrying amount	Fair value by hierarchy level			Fair value
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	total
Measured at fair value					
At fair value through profit or loss					
Asset Management and Life Insurance*	597,926	597,926			**597,926**
Other operations**	15,724	15,724			**15,724**
Derivative contracts					
Banking	4,787		4,787		**4,787**
Measured at amortised cost					
Banking	8,464,142	1,569,386	6,616,595	296,492	**8,482,473**
Total financial liabilities	**9,082,579**	**2,183,036**	**6,621,382**	**296,492**	**9,100,910**

* Includes liabilities for unit-linked insurance and investment 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 instuments at level 3

Financial instruments at fair value through profit or loss (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2017	**8,811**	**1,537**	**10,348**
Matured during the period	-300		-300
Changes in value recognised in income statement, realised	121		121
Changes in value recognised in income statement, unrealised	4	217	221
Carrying amount 30 Jun 2017	**8,636**	**1,754**	**10,390**

Changes in value recognised in the income statement are presented in the items "Net trading income" and "Net life insurance income".

Derivatives (net) (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2017	**1,239**		**1,239**
Changes in value recognised in income statement, unrealised	-81		-81
Transfers to level 1 and 2	-1,067		-1,067
Carrying amount 30 Jun 2017	**91**		**91**

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

Available-for-sale financial assets (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2017	**28,684**	**5,076**	**33,760**
Purchases	1,209		1,209
Sales	-1,185		-1,185
Matured during the period	-138		-138
Changes in value recognised in income statement, realised	-32		-32
Changes in value recognised in comprehensive income statement	275		275
Transfers from level 1 and 2	5,332		5,332
Transfers to level 1 and 2	-2,295		-2,295
Carrying amount 30 Jun 2017	**31,850**	**5,076**	**36,927**

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

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)		Effect of hypothetical changes' on profit
30.6.2017	Carrying amount	Negative
At fair value through profit or loss		
Banking	8,636	-265
Asset Management and Life Insurance	1,754	-9
Total	**10,390**	
Derivative contracts		
Banking, assets	91	-91
Total	**91**	**-91**
Available-for-sale financial assets		
Banking	31,850	-1,231
Asset Management and Life Insurance	5,076	-1,024
Total	**36,927**	**-2,255**
Total	**47,407**	**-2,346**

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.

31.12.2016	Carrying amount	Fair value by hierarchy level			Fair value
Financial instruments (EUR 1,000)		Level 1	Level 2	Level 3	total
Measured at fair value					
At fair value through profit or loss					
Banking	9,460	649		8,811	**9,460**
Asset Management and Life Insurance*	518,043	516,506		1,537	**518,043**
Other operations**	108,595	108,595			**108,595**
Derivative contracts					
Banking	72,024		70,785	1,239	**72,024**
Asset Management and Life Insurance					
Available-for-sale financial assets					
Banking	1,217,220	1,172,058	16,478	28,684	**1,217,220**
Asset Management and Life Insurance	187,205	182,128		5,076	**187,205**
Other operations	482	482			**482**
Measured at amortised cost					
Investments held-to-maturity					
Banking	46,454	46,688		301	**46,989**
Loans and receivables					
Banking	8,064,383		9,428,289	3,837	**9,432,126**
Total financial assets	**10,223,865**	**2,027,106**	**9,515,552**	**49,485**	**11,592,143**

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

31.12.2016	Carrying amount	Fair value by hierarchy level			Fair value
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	total
Measured at fair value					
At fair value through profit or loss					
Asset Management and Life Insurance*	513,377	513,377			**513,377**
Other operations**	108,595	108,595			**108,595**
Derivative contracts					
Banking	2,289		2,289		**2,289**
Measured at amortised cost					
Banking	8,520,000	1,689,352	6,797,932	82,456	**8,569,740**
Total financial liabilities	**9,146,260**	**2,313,323**	**6,800,221**	**82,456**	**9,196,001**

* Includes liabilities for unit-linked insurance and investment 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 instruments at fair value through profit or loss (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2016	**14,431**	**5,700**	**20,130**
Purchases	402		402
Sales	-3,104	-4,194	-7,298
Matured during the financial year	-3,300		-3,300
Changes in value recognised in income statement, realised	159	12	171
Changes in value recognised in income statement, unrealised	224	20	244
Carrying amount 31 December 2016	**8,811**	**1,537**	**10,348**

Changes in value recognised in the income statement are presented in the items "Net trading income" and "Net life insurance income".

Derivatives (net) (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2016	**1,024**		**1,024**
Purchases	946		946
Sales	-1		-1
Matured during the financial year	-796		-796
Changes in value recognised in income statement, unrealised	66		66
Carrying amount 31 December 2016	**1,239**		**1,239**

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

Available-for-sale financial assets (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2016	**38,618**	**8,794**	**47,412**
Purchases	7,032		7,032
Sales	-4,257	-3,120	-7,377
Matured during the financial year	-1,707		-1,707
Changes in value recognised in income statement, realised	16		16
Changes in value recognised in income statement, unrealised	-6		-6
Changes in value recognised in comprehensive income statement	191	-598	-406
Transfers to level 1 and 2	-11,202		-11,202
Carrying amount 31 December 2016	**28,684**	**5,076**	**33,760**

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

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)		Effect of hypothetical changes' on profit
31.12.2016	**Carrying amount**	**Negative**
At fair value through profit or loss		
Banking	8,811	-315
Asset Management and Life Insurance	1,537	-16
Total	**10,348**	**-331**
Derivative contracts		
Banking, assets	1,239	-1,239
Total	**1,239**	**-1,239**
Available-for-sale financial assets		
Banking	28,684	-1,767
Asset Management and Life Insurance	5,076	-761
Total	**33,760**	**-2,529**
Total	**45,348**	**-4,099**

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

NOTE 18: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

30.6.2017				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held/given as collateral	Cash held/given as collateral	Net amount
Assets	"						
Derivative contracts				57,853		33,788	24,065
Total	0	0	0	**57,853**	0	**33,788**	**24,065**
Liabilities							
Derivative contracts				4,787		399	4,388
Total	0	0	0	**4,787**	0	**399**	**4,388**

31.12.2016				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held/given as collateral	Cash held/given as collateral	Net amount
Assets	"						
Derivative contracts				70,957		45,328	25,629
Total	0	0	0	**70,957**	0	**45,328**	**25,629**
Liabilities							
Derivative contracts				2,289		400	1,889
Total	0	0	0	**2,289**	0	**400**	**1,889**

NOTE 19: COLLATERALS

(EUR 1,000)	30.6.2017	31.12.2016
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Pledges	43,074	37,628
Loans	1,036,761	703,492
Other	4,798	16,284
Collateral given	**1,084,633**	**757,404**
Collateral received		
Real estate collateral	7,044,188	6,584,761
Securities	36,819	42,032
Other	78,738	73,282
Guarantees received	60,223	60,575
Collateral received	**7,219,969**	**6,760,650**

NOTE 20: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2017	31.12.2016
Guarantees	68,486	63,467
Loan commitments	558,987	487,120
Other	7,940	8,120
Off balance-sheet commitments	**635,413**	**558,707**

NOTE 21: RELATED PARTIES

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

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

Related party transactions consists mainly of granting of loans, deposits and guarantees. There haven't been any major changing regarding the related transactions after 31 December 2016.

CAPITAL ADEQUACY INFORMATION

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

The Pillar III disclosure information regarding risk management objectives and policies of the Savings Bank Group are described in the Risk Management note of the financial statement. Corporate governance disclosure information and remuneration are included in the Corporate Governance note of the financial statement.

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

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

Capital adequacy's main items

Own funds (EUR 1,000)	30.6.2017	31.12.2016
Common Equity Tier 1 (CET1) capital before regulatory adjustments	945,710	915,685
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-26,689	-27,835
Common Equity Tier 1 (CET1) capital	**919,021**	**887,850**
Additional Tier 1 (AT1) capital before regulatory adjustments	0	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**919,021**	**887,850**
Tier 2 (T2) capital before regulatory adjustments	50,455	48,717
Total regulatory adjustments to Tier 2 (T2) capital	0	0
Tier 2 (T2) capital	**50,455**	**48,717**
Total capital (TC = T1 + T2)	**969,476**	**936,567**
Risk weighted assets	**5,012,865**	**4,805,436**
of which: credit and counterparty risk	4,478,122	4,250,278
of which: credit valuation adjustment (CVA)	75,544	98,561
of which: market risk	37,749	35,147
of which: operational risk	421,450	421,450
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.3 %	18.5 %
Tier 1 (as a percentage of total risk exposure amount)	18.3 %	18.5 %
Total capital (as a percentage of total risk exposure amount)	19.3 %	19.5 %
Capital requirement		
Total capital	969,476	936,567
Capital requirement total*	527,570	504,571
Capital buffer	441,905	431,996
Pillar 2 Additional capital requirement	25,064	
Capital buffer including the additional capital requirement	416, 841	

*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, and the country-specific countercyclical capital requirements of foreign exposures.

NOTE 23: MINIMUM CAPITAL REQUIREMENT

Credit and counterparty risk	30.6.2017	30.6.2017	31.12.2016	31.12.2016
Exposure class (EUR 1,000)	Risk weighted assets	Capital requirement	Risk weighted assets	Capital requirement
Exposures to central governments or central banks	0	0		
Exposures to regional governments or local authorities	648	52	415	33
Exposures to public sector entities				
Exposures to multilateral development banks	210	17	250	20
Exposures to international organisations				
Exposures to institutions	51,035	4,083	54,902	4,392
Exposures to corporates	979,432	78,355	917,146	73,372
Retail exposures	838,121	67,050	830,590	66,447
Exposures secured by mortgages on immovable property	1,854 987	148,399	1,727,994	138,240
Exposures in default	55,389	4,431	53,687	4,295
Exposures associated with particularly high risk	7 958	637	6,806	545
Exposures in the form of covered bonds	5,146	412	5,376	430
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	468,614	37,489	420,818	33,665
Equity exposures	88,403	7,072	97,589	7,807
Other items	128,180	10,254	134,706	10,776
Credit risk total	4,478,122	358,250	4,250,278	340,022
Credit valuation adjustment (CVA)	75,544	6,044	98,561	7,885
Market risk	37,749	3,020	35,147	2,812
Operational risk	421,450	33,716	421,450	33,716
Total	**5,012,865**	**401,029**	**4,805,436**	**384,435**

NOTE 24: TOTAL EXPOSURE

Credit and counterparty risk 30.6.2017

Exposure class (EUR 1,000)	Balance sheet items	Off balance sheet items	Derivatives	Total
Exposures to central governments or central banks	912,283	300		912,583
Exposures to regional governments or local authorities	16,904	3,967		20,871
Exposures to public sector entities	1,201			1,201
Exposures to multilateral development banks	1,211			1,211
Exposures to international organisations				0
Exposures to institutions	63,575	26,257	90,629	180,461
Exposures to corporates	988,892	138,520	5,000	1,132,411
Retail exposures	1,496,523	331,387		1,827,910
Exposures secured by mortgages on immovable property	5,325,811	155,091		5,480,902
Exposures in default	71,403	121		71,523
Exposures associated with particularly high risk	5,305			5,305
Exposures in the form of covered bonds	39,419			39,419
Items representing securitisation positions				0
Exposures to institutions and corporates with a short-term credit assesment				0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	507,228			507,228
Equity exposures	50,529			50,529
Other items	151,530			151,530
Total	**9,631,814**	**655,641**	**95,629**	**10 383,084**

Credit and counterparty risk 31.12.2016

Exposure class (EUR 1,000)	Balance sheet items	Off balance sheet items	Derivatives	Total
Exposures to central governments or central banks	1,311,593			1,311,593
Exposures to regional governments or local authorities	15,071	3,435		18,506
Exposures to public sector entities	1,203			1,203
Exposures to multilateral development banks	1,235			1,235
Exposures to international organisations				0
Exposures to institutions	32,200	30,294	111,265	173,758
Exposures to corporates	936,024	110,494		1,046,517
Retail exposures	1,462,812	314,204		1,777,016
Exposures secured by mortgages on immovable property	4,963,506	125,920		5,089,427
Exposures in default	68,744	212		68,956
Exposures associated with particularly high risk	4,538			4,538
Exposures in the form of covered bonds	41,592			41,592
Items representing securitisation positions				0
Exposures to institutions and corporates with a short-term credit assesment				0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	483,476			483,476
Equity exposures	59,715			59,715
Other items	154,671			154,671
Total	**9,536,381**	**584,558**	**111,265**	**10,232,203**

NOTE 25: RECONCILIATION OF OWN FUNDS

Reconciliation of own funds

(EUR 1,000)	30.6.2017	31.12.2016
Total shareholders' equity (IFRS)	**988,673**	**953,402**
Deductions	-42,964	-37,717
CET1 capital before statutory adjustments	**945,710**	**915,685**
Profit for the period	-949	-2,199
Cash flow hedging	-3,280	-3,905
Intangible assets	-21,021	-19,217
Difference in deferred tax assets	-1,439	-2,513
Total CET1 capital	**919,021**	**887,850**

Savings Bank

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