

BASE PROSPECTUS



SP MORTGAGE BANK PLC

(incorporated with limited liability in the Republic of Finland)

EUR 3,000,000,000

Covered Bond Programme

Sp Mortgage Bank Plc ("**Sp Mortgage Bank**" or the "**Issuer**") has established a €3,000,000,000 Covered Bond Programme (the "**Programme**"). Any Covered Bonds (as defined below) issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein.

The Issuer may from time to time issue covered bonds (the "**Covered Bonds**") under the Finnish Covered Bond Act (*Laki kiinnitysluottopankkitoiminnasta* 688/2010), as amended (the "**CBA**") denominated in any currency as may be agreed with the relevant Dealer(s) (as defined below). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €3,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

This Base Prospectus has been approved by the Central Bank of Ireland (the "**CBI**"), as competent authority under Directive 2003/71/EC (as amended) (the "**Prospectus Directive**") and any relevant implementing measure in the relevant Member State of the European Economic Area. The CBI only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the "**ISE**") for the Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Main Securities Market**"). Such approval relates only to the Covered Bonds which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC ("**MiFID**") and/or which are to be offered to the public in any member state of the European Economic Area. The Main Securities Market is a regulated market for the purposes of MiFID. This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Programme also permits Covered Bonds to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

The Covered Bonds to be issued under the Programme may be rated AAA by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). S&P is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation. Tranches of Covered Bonds issued under the Programme will be rated or unrated. Where a Tranche of Covered Bonds is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Covered Bonds already issued. Where a Tranche of Covered Bonds is rated, the applicable rating(s) will be specified in the relevant Final Terms.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in Covered Bonds issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its respective obligations under the Covered Bonds are discussed under "Risk Factors" below.

Arranger

BNP PARIBAS

Dealers

BNP PARIBAS

**LANDESBANK BADEN-
WÜRTTEMBERG**

NORDEA BANK AB (publ)

28 September 2017

IMPORTANT NOTICES

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Covered Bonds are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Issuer accepts responsibility for the information contained in this Base Prospectus and any Final Terms and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Covered Bonds will be issued on the terms set out herein under "*Terms and Conditions of the Covered Bonds*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

This Base Prospectus must be read and construed together with any supplements hereto (and with any information incorporated by reference herein) and, in relation to any Tranche of Covered Bonds which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme and the issue, offering and sale of the Covered Bonds) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Covered Bonds) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Covered Bond shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Covered Bonds, see "*Subscription and Sale*". In particular, Covered Bonds have not been and will not be registered under the United

States Securities Act of 1933 (as amended) (the "**Securities Act**") and Bearer Covered Bonds are subject to U.S. tax law requirements. Subject to certain exceptions, Covered Bonds may not be offered, sold or, in the case of Bearer Covered Bonds, delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Covered Bonds and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Covered Bonds. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained (or incorporated by reference) in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Stabilisation

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Certain definitions

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area and references to "**Euro**", "**EUR**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Covered Bonds should be based on a consideration of the Base Prospectus as a whole and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms.

Issuer:	Sp Mortgage Bank Plc (the " Issuer ")
Savings Banks:	The savings banks belonging to the Amalgamation from time to time, which as at the date of this Base Prospectus are the following: (1) Aito Säästöpankki Oy, (2) Avain Säästöpankki, (3) Ekenäs Sparbank, (4) Eurajoen Säästöpankki, (5) Helmi Säästöpankki Oy, (6) Huittisten Säästöpankki, (7) Kalannin Säästöpankki, (8) Kiikoisten Säästöpankki, (9) Kvevlax Sparbank, (10) Lammin Säästöpankki, (11) Liedon Säästöpankki, (12) Länsi-Uudenmaan Säästöpankki, (13) Mietoisten Säästöpankki, (14) Myrskylän Säästöpankki, (15) Nooa Säästöpankki Oy, (16) Närpes Sparbank Ab, (17) Pyhärannan Säästöpankki, (18) Someron Säästöpankki, (19) Suomenniemen Säästöpankki, (20) Sysmän Säästöpankki, (21) Säästöpankki Optia, (22) Säästöpankki Sinetti and (23) Ylihärmän Säästöpankki (each a " Savings Bank " and together, the " Savings Banks ").
Union Co-op:	The " Union Co-op " refers to Saving Banks' Union Coop, the corporate union co-operative entity which is established by the Savings Banks by way of the Amalgamation. The Union Co-op is the central administrative institution for the Amalgamation (as described further in section " <i>Information on the Group and the Amalgamation</i> ").
Amalgamation:	(a) The Union Co-op, (b) the companies belonging to the Union Co-op's consolidation group, (c) the Savings Banks, Central Bank of Savings Banks Finland Plc and the Issuer, (d) the companies belonging to the Savings Banks' consolidation groups and (e) such credit institutions, finance institutions and service companies where the institutions referred to in (a) to (d) above combined own more than half of the voting rights (the " Amalgamation ").
Member Credit Institutions:	The Issuer, Central Bank of Savings Banks Finland Plc and the Savings Banks (together the " Member Credit Institutions ").
Group:	The " Group " and the " Savings Banks Group " refers to the Savings Banks, the Issuer, the Central Bank of Savings Bank Finland Plc and certain other corporate entities that are consolidated for accounting purposes (as described further in section " <i>Information on the Group and the Amalgamation</i> ").
Shareholders:	The shareholders of the Issuer from time to time, which as at the date of this Base Prospectus are the Savings Banks (the " Shareholders ").
Programme Amount:	Up to €3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of the Covered Bonds outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of

	the Dealer Agreement.
Description:	Covered Bond Programme.
Distribution:	The Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Arranger:	BNP Paribas, London Branch (the " Arranger ")
Dealers:	Nordea Bank AB (publ) and Landesbank Baden-Württemberg (together with the Arranger and any other Dealers appointed in accordance with the Dealer Agreement, the " Dealers ")
Fiscal Agent:	BNP Paribas Securities Services, Luxembourg Branch (the " Fiscal Agent ").
Registrar:	BNP Paribas Securities Services, Luxembourg Branch (the " Registrar ").
Currencies:	Covered Bonds may be denominated in Euros or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Method of Issue:	The Covered Bonds will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Covered Bonds of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Covered Bonds of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Covered Bonds of different denominations.
Denominations:	The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) (subject to compliance with all applicable legal and/or regulatory and/or central bank requirements), save that the minimum denomination of each Covered Bond will be €100,000 (or the equivalent in any other currency).
Maturities:	Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Listing and Trading:	Application has been made to the ISE for the Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and to trading on its regulated market.
Status of Covered Bonds:	The Covered Bonds will be issued as covered bonds (<i>katetut joukkolainat</i>) and will constitute direct, unconditional and unsubordinated obligations of the Issuer. The Covered Bonds will be covered in accordance with the CBA and will rank <i>pari passu</i> among themselves, with Derivative Transactions and Bankruptcy Liquidity Loans and with any N-Bonds issued with respect to the statutory security over the Cover Pool in accordance with the CBA. Under Section 25 of the CBA, this priority is limited to 70 per cent. in respect of Housing Loans and 60 per cent. in respect of Commercial Property Loans of the current value of the properties or the shares in the property owning companies which stand as collateral for such loans. To the extent that claims of the Covered Bondholders in relation to the Covered Bonds are not met out of the assets of the Issuer that are covered in accordance with the CBA (the

"Cover Pool"), the residual claims of the Covered Bondholders will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

The statutory security conferred on holders of the Covered Bonds by the CBA extends to Mortgage Loans and Public-Sector Loans owned by the Issuer and certain other types of assets which qualify for this purpose under the CBA and are included in the Cover Pool. No security will be taken over assets of the Issuer which do not qualify for this purpose or which are not included in the Cover Pool, nor will any security be taken over the Issuer's rights under any agreements entered into by the Issuer in relation to the Programme or Covered Bonds issued thereunder.

Final Terms or Drawdown Prospectus:	Covered Bonds issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Covered Bonds will be the Conditions as completed by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced by the relevant Drawdown Prospectus.
Issue Price:	Covered Bonds may be issued at any price. The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Interest:	Covered Bonds may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and may vary during the lifetime of the relevant series.
Forms of Covered Bonds:	<p>Covered Bonds may be issued in bearer form ("Bearer Covered Bonds") or in registered form ("Registered Covered Bonds"). Bearer Covered Bonds will not be exchangeable for Registered Covered Bonds and Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds. No single Series may comprise both Bearer Covered Bonds and Registered Covered Bonds.</p> <p>Each Tranche of Bearer Covered Bonds will initially be in the form of either a temporary global covered bond (the "Temporary Global Covered Bond") or a permanent global covered bond (the "Permanent Global Covered Bond"), in each case as specified in the relevant Final Terms (each a "Global Covered Bond"). Each Global Covered Bond which is not intended to be issued in new global covered bond form ("NGCB"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Covered Bond which is intended to be issued in NGCB form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Covered Bond will be exchangeable for a Permanent Global Covered Bond or, if so specified in the relevant Final Terms, for Definitive Covered Bonds. Certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a</p>

Temporary Global Covered Bond or receipt of any payment of interest in respect of a Temporary Global Covered Bond.

Each Permanent Global Covered Bond will be exchangeable for Definitive Covered Bonds in accordance with its terms. Definitive Covered Bonds will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Registered Covered Bonds will be represented by either Individual Covered Bond Certificates or a Global Registered Covered Bond, in each case as specified in the relevant Final Terms. Each Global Registered Covered Bond which is not intended to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "NSS"), as specified in the relevant Final Terms, will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Covered Bond will be deposited on or about the issue date with the common depository. Each Global Registered Covered Bond intended to be held under the New Safekeeping Structure, as specified in the relevant Final Terms, will be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Covered Bond will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Redemption:

Unless previously redeemed, or purchased and cancelled, Covered Bonds will be redeemed at their Final Redemption Amount (as specified in the relevant Final Terms) on the Maturity Date.

Optional Redemption:

Subject to certain Conditions, Covered Bonds may be redeemed before the Maturity Date at the option of the Issuer (as described in Condition 8(c) (*Redemption and Purchase – Redemption at the option of the Issuer*)) or at the option of the Covered Bondholders (as described in Condition 8(e) (*Redemption and Purchase – Redemption at the option of Covered Bondholders*)), to the extent (if at all) specified in the relevant Final Terms.

Early Redemption:

Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons, as described in Condition 8(b) (*Redemption and Purchase – Redemption for tax reasons*).

Extended Maturity Date:

The applicable Final Terms may provide that an Extended Maturity Date applies to the relevant Series of Covered Bonds.

If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the maturity of the outstanding Series of Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of the Terms and Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise specified in the applicable Final Terms. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds

on any Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date or as otherwise specified in the applicable Final Terms.

If the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the Series of Covered Bonds will bear interest on the principal amount outstanding of such Covered Bonds from (and including) the Maturity Date to (but excluding the earlier of the Interest Payment Date after the Maturity Date on which the Series of Covered Bonds are redeemed and the Extended Maturity Date) and will be payable in respect of the interest period ending immediately prior to the relevant Interest Payment Date in arrear or as otherwise provided for in the applicable Final Terms on each Interest Payment Date after the Maturity Date at the rate specified in the applicable Final Terms.

In the case of a Series of Covered Bonds with an Extended Maturity Date, those Covered Bonds may be issued as fixed rate, floating rate, or zero coupon in respect of the period from (and including) the Issue Date to (but excluding) the Maturity Date and issued as fixed rate or floating rate in respect of the period from (and including) the Maturity Date to (but excluding) the Extended Maturity Date as set out in the applicable Final Terms.

In the case of Covered Bonds which are non-interest bearing up to the Maturity Date and for which an Extended Maturity Date applies, the initial outstanding principal amount on the Maturity Date for the above purposes will be the total amount otherwise payable by the Issuer but unpaid on the relevant Covered Bonds on the Maturity Date.

Taxation:

All payments of principal and interest in respect of the Covered Bonds and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Finland or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Covered Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 11 (*Taxation*).

Events of Default and Cross Default:

The Covered Bonds will not provide for events of default entitling Covered Bondholders to demand immediate redemption and will not provide for a cross-default provision.

Negative Pledge:

None.

Substitution:

A substitution of the Issuer may take place in respect of the Covered Bonds: pursuant to the CBA, a bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding

collateral to another mortgage credit bank, deposit bank or credit entity holding a licence to issue covered bonds or to a foreign mortgage credit bank subject to supervision corresponding to that of the CBA, unless the terms of the covered bond provide otherwise. See "*Covered Bond Act*" on pages 113 to 118.

Ratings:

Each Series of Covered Bonds to be issued under the Programme will, unless otherwise specified in the applicable Final Terms, be assigned a rating of "AAA" by S&P.

S&P is established in the European Union and registered under the CRA Regulation. As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation.

Clearing Systems:

Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**" and together with Euroclear, the "**ICSDs**") and/or, in relation to any Tranche of Covered Bonds, any other clearing system as may be specified in the relevant Final Terms.

Risk Factors:

Investing in Covered Bonds issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its respective obligations under the Covered Bonds are discussed under "*Risk Factors*" below.

Governing Law:

English law, except that Condition 4 (*Status*) of the Covered Bonds will be governed by Finnish law.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of offering material in the United States of America, the United Kingdom, Japan and the Republic of Finland, see "*Subscription and Sale*" below.

RISK FACTORS

Any investment in the Covered Bonds is subject to a number of risks. Prior to investing in the Covered Bonds, prospective investors should carefully consider the risk factors associated with any investment in the Covered Bonds, the business of the Issuer and the industry(ies) in which it operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Covered Bonds" below or elsewhere in this Base Prospectus have the same meanings in this section.

Prospective investors should note that the risks relating to the Issuer, the industry(-ies) in which it operates and the Covered Bonds summarised in this section of this Base Prospectus are the risks that the Issuer believes to be the most essential to an assessment by a prospective investor of whether to invest in the Covered Bonds.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Covered Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Covered Bonds may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Covered Bonds is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER COVERED BONDS ISSUED UNDER THE PROGRAMME

The Issuer is part of the Group and serves as the mortgage credit bank of the Group. Where certain factors are described below with references to the Group such factors are also relevant to the Issuer as part of the Group.

Risk factors associated with the Group's operating environment

Uncertain global economic and financial market conditions could adversely affect the Group's business, results of operations, financial condition, liquidity and capital resources

In recent years, the general economic and financial market conditions in Europe and other parts of the world have repeatedly undergone significant turmoil due to, among other factors, the ongoing sovereign debt crisis in certain European countries, particularly certain eurozone Member States, including Cyprus, Greece, Italy, Ireland, Portugal and Spain. Although the financial state of distressed euro area Member States has improved and speculations on the disruption to the euro area have decreased since late 2012, no assurances can be made that economic recovery will happen or continue. There is still a risk that the global economy could remain in or fall back into a recession, or even a depression, that could be deeper and last longer than the recession experienced in 2008 and 2009.

In addition, the current situation in Ukraine and the sanctions imposed by the United States and the European Union, the instability in the Middle East or the referendum vote in the United Kingdom to leave the European Union could have an adverse effect on the global economy which could in turn undermine the competitiveness of the Group's corporate clients, such as small Finnish companies.

The financial results of the Group (as defined above in the section headed "*Important Notices*") are affected by many factors, the most important of which are the general economic situation and its impact on the demand for banking services, such as housing loans. Moreover, the current uncertainty and lack of visibility in the financial markets and macroeconomic conditions have in general adversely affected access to financing and increased the cost of capital. Deterioration in market conditions could result in difficulties for the Group's customers in meeting their payment obligations, which could lead to increased disruptions in repayments of loans, as well as write-downs and loan losses. Deterioration in the general economic situation could also reduce demand for loans, such as housing loans and other products, leading to reduced net interest income from the banking business.

Moreover, income generation in the Group's retail banking is significantly affected by changes in the interest rate level. Interest rate risk arises when interest rate fixing periods or interest rate bases for assets and those for liabilities are mismatched. Net interest income comprises a substantial part of the Group's

total income. Furthermore, the recent low interest rate levels have not been beneficial to the Group, since low interest levels have a negative impact on the Group's net interest income.

The market value of financial assets held by the Issuer, Central Bank of Savings Banks Finland Plc or the Savings Banks may also be affected. Furthermore, deterioration in the general economic situation could increase the refinancing costs and hamper the refinancing options of the Issuer, the Savings Banks or Central Bank of Savings Banks Finland Plc.

Although the Group's management believes that the Group's capital structure will provide sufficient liquidity to conduct the Group's day-to-day banking business even when there is uncertainty in the global economy and financial markets, there can be no assurance that the Group's liquidity and access to financing will not be affected by changes in the financial markets or that its capital resources will, at all times, be sufficient to satisfy the Group's liquidity needs.

The Savings Banks are exposed to risks relating to the outflow of deposits

Deposits comprise a major share of the Savings Banks' funding. Central Bank of Savings Bank Finland Plc supports the liquidity and borrowing activities of the Savings Banks by acquiring funds and operating in the money markets and capital markets. Nevertheless, should the current financial situation lead to a significant outflow of deposits, the Savings Banks' funding structure would change substantially and the average cost of funding would increase. Furthermore, this would jeopardise the Savings Banks' liquidity, and the Savings Banks would be unable to meet their current and future cash flow and collateral needs, both expected and unexpected, without affecting their daily operations or overall financial position. Therefore, this could have a negative impact on the Savings Banks' business, results of operations and financial conditions.

The market for the Savings Banks' core business areas remains highly competitive

The financial services market remains highly competitive in the local and regional markets where the Savings Banks operate. For example, the margins of housing loans are decreasing due to competition. In addition, the operating environment of the financial services market faces significant changes. Innovative competition comes both from established players and a steady stream of new market entrants and may take the form of new products or operating models such as digitalisation. The market is expected to remain highly competitive in the Savings Banks' core business areas, which could adversely affect the Savings Banks' business, results of operations and financial conditions.

Systemic risks may have negative impacts on markets in which the Group operates

Payment defaults, bank runs and other types of financial distress or difficulties in a foreign or domestic bank or other financial institution may lead to a series of liquidity problems and losses as well as payment and other difficulties in other companies operating in the financial sector, due to the interconnectedness of the domestic and global financial systems and capital markets. If one financial institution experiences difficulties it could have spillover effects on other institutions through, for example, lending, trading, clearing and other linkages between financial institutions. These types of risk are called 'systemic risks' and they can have a significant negative impact on markets in which the Group operates on a daily basis which can, in turn, adversely affect the Group's business, results of operations and financial condition.

Exit of the United Kingdom from the European Union

On 23 June 2016 the United Kingdom voted to leave the European Union in a referendum (the "Brexit Vote") and on 29 March 2017 the United Kingdom gave formal notice (the "Article 50 Notice") under Article 50 of the Treaty on European Union ("Article 50") of its intention to leave the European Union. The timing of the UK's exit from the EU remains subject to some uncertainty, but it is unlikely to be before March of 2019. Article 50 provides, subject to certain circumstances, that the EU treaties will cease to apply to the UK two years after the Article 50 Notice. The terms of the UK's exit from the EU are also unclear and will be determined by the negotiations taking place following the Article 50 Notice. It is possible that the UK will leave the EU with no withdrawal agreement if no agreement can be finalised within two years. In such circumstances, it is likely that a high degree of political, legal, economic and other uncertainty will result. The Brexit Vote and delivery of the Article 50 Notice have resulted in political (including UK constitutional), legal, regulatory, economic and market uncertainty – the effects of each of which could adversely affect the interests of Covered Bondholders. Such

uncertainty and consequential market disruption may also cause investment decisions to be delayed, reduce job security and damage consumer confidence.

While the extent and impact of these issues is not possible for the Issuer to predict, Covered Bondholders should be aware that they could have an adverse impact on the interests of the Covered Bondholders including the payment of interest and repayment of principal on the Covered Bonds.

Risk factors associated with the Amalgamation's operations

The Amalgamation may be exposed to risk related to the availability of funding, and the Amalgamation may not be able to maintain adequate liquidity

A substantial part of the Amalgamation liquidity and funding requirements is met through reliance on customer deposits, as well as ongoing access to wholesale lending markets, including issuance of long-term debt market instruments such as covered bonds. There can be no assurance that funding will be available on competitive terms or at all under this Programme, the Group's euro medium term note programme of Central Bank of Savings Banks Finland Plc or from other sources of wholesale funding.

Liquidity risk means the risk of the Issuer, the Group and/or the Amalgamation being unable to meet its payment obligations, to refinance its loans when they fall due, and to meet its obligations as a creditor. This risk could materialise if market conditions worsen substantially and the Issuer, the Group and/or the Amalgamation is unable to maintain adequate liquidity.

The Amalgamation's strategy or its execution may fail

Each Savings Bank has its own strategy based on and aligned with the Group's strategy. Strategic risks refer to losses that may arise from the choice of an incorrect business strategy in view of the developments in the Amalgamation's operating environments. The Amalgamation aims to minimise strategic risks by regularly updating its strategic and annual plans. In planning, the Amalgamation utilises the analyses of its central institution, the Union Co-op, on the state and development of the Savings Banks as well as forecasts by other economic analysts on the development of the Amalgamation's industries, the competitive landscape and the macroeconomic environment.

However, the Amalgamation or individual Savings Banks may be unable to successfully execute their strategies, and the Amalgamation's strategy may not be competitive or may be insufficient to meet customer requirements in the future as competition increases and customer offerings develop in the markets internationally.

Operational disturbances and events may affect the Amalgamation's business operations

Operational risks refer to losses that may arise from shortcomings in internal systems and processes and the conduct of personnel or from external factors having an impact on business. Operational risk may also materialise in terms of loss or deterioration of reputation or trust.

The Amalgamation monitors the nature of operational risks, their occurrence and the volume of damages or losses in the event of an operational risk incident. The Board and senior management of the Member Credit Institutions receive regular reporting on operational risks based on the collected data concerning operational risk events and damage/loss incurred. The Union Co-op's Board receives regular reports on the status of the most significant operational risks faced by the Amalgamation. The reports detail realised operational risk events, any IT disruptions as well as the quality of outsourced services, the coverage provided by insurance policies and the status reports of data security.

Strategic and operative risks, if realised, could have a material adverse effect on the capital adequacy, business operations, financial standing, business results, prospects and solvency of the Group and/or the Amalgamation as well as on the value of the Covered Bonds.

The loan portfolios of the Savings Banks and the Issuer may expose the Amalgamation to credit risks, and the Amalgamation's credit loss estimates may prove to be inaccurate

At 30 June 2017, the Group's loans and advances to customers amounted to EUR 7.4 billion (31 December 2016; EUR 6.9 billion), growing by 6.7 per cent. from the turn of the year. The key customer groups of the Group are Finnish private individuals, small and medium-sized enterprises ("SMEs") and

agricultural customers. As the key customer groups consist of Finnish customers, it cannot be overlooked that the Group's business, results of operations and financial condition could be adversely affected by this geographical risk concentration in Finland. The majority of the funds raised by the Group have been granted as housing loans to their customers. As at 30 June 2017, households, SME's and agricultural customers made up 100 per cent. of the loans (i.e. loans and advances to customers) on the Group's balance sheet. The majority of the Group's loans, i.e. 73 per cent. have been granted against residential housing serving as collateral for the underlying loan. Therefore, although corporate loans provide diversification against the credit risk posed by the housing loans, the Amalgamation's credit risk is mainly dependent on the Group's housing loan portfolio.

Unemployment and the interest rate level are the most significant general economic factors which might adversely affect retail customers' ability to repay their loans. Furthermore, fluctuations in housing prices and general activity in the housing market could adversely affect both customers' debt servicing ability as well as the realisation value of collateral.

Despite the positive effects that come from the generation of interest income, the growth of the Savings Banks' loan portfolio may also have negative effects. The growth of the loan portfolio in the current market environment may subsequently result in loan losses as the Savings Banks' customers may be unable to meet their obligations.

Impairment losses on loans and advances were EUR 35.9 million as at 30 June 2017 (31 December 2016: EUR 31.2 million). Individual impairments were in total EUR 24.6 million (31 December 2016: EUR 24.9 million) and collective impairments were in total EUR 11.3 million (31 December 2016: EUR 6.3 million). Collective impairments for private customers were EUR 5.0 million (31 December 2016: EUR 1.7 million) and collective impairments for SME customers and forestry and agricultural customers were EUR 6.2 million (31 December 2016: EUR 3.3 million). Impairment losses on loans and advances were 0.48 per cent. (31 December 2016: 0.12 per cent.) of the total loan portfolio. Estimating and pricing credit risks as well as the realisation time and value of collateral is, however, uncertain, and therefore possible impairments could adversely affect the Savings Banks' business, results of operations and financial condition. There is no guarantee that loss estimates will reflect actual future losses. If the level of impairments and non-performing loans is higher than anticipated, it may have a material adverse effect on the Savings Banks' business, results of operations and financial condition.

Covered Bondholders are exposed to credit risk relating to the Amalgamation and the Issuer as a part of it

Covered Bondholders take a credit risk on the performance of the Issuer, the Group and the Amalgamation. Receipt of payments under the Covered Bonds by a Covered Bondholder is dependent on the Issuer's ability to fulfil its payment obligations, which is in turn dependent upon the development of the Group's and Amalgamation's business. Notwithstanding the joint liability under the Act on the Amalgamation of Deposit Banks (599/2010, as amended) (in Finnish *laki talletuspankkien yhteenliittymästä*), (the "**Amalgamation Act**") between the Issuer, the Savings Banks, and Central Bank of Savings Banks Finland Plc there is no guarantee in place which directly ensures the repayment of Covered Bonds issued under this Programme. The payment obligations under the Covered Bonds are solely obligations of the Issuer and are not obligations of, and are not guaranteed by, the Union Co-op nor any Savings Bank. For more information on the Amalgamation and the joint liability, see "*The Amalgamation Act—Joint liability of the Amalgamation*".

The Amalgamation may be unable to maintain its desired capital adequacy position

The Issuer's banking licence is dependent upon, among other things, the fulfilment of capital adequacy requirements in accordance with the applicable regulations which are the Finnish Act on Credit Institutions (*Laki luottolaitostoiminnasta*, 610/2014, as amended), (the "**Credit Institutions Act**") or the Amalgamation Act and the regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013, the "**CRD IV Regulation**"). Under these acts and regulation, the Issuer is primarily supervised by the FIN-FSA and it is additionally subject to indirect supervision by the European Central Bank (the "**ECB**"). The Issuer's capital structure and capital adequacy ratio may have an effect on the availability and costs of funding operations. Moreover, the absence of a sufficiently strong capital base may constrain the Issuer's growth and strategic options. Significant unforeseen losses may create a situation under which the Issuer is unable to maintain its desired capital structure.

Pursuant to the shareholders' agreement regarding the Issuer between the Shareholders, dated 21 April 2016 (the "**Shareholders' Agreement**") the Savings Banks are committed to capitalise the Issuer with Tier 1 capital with regard to the residential mortgage loan portfolio originated by the Savings Banks. However, negative changes in the capital adequacy position could have an adverse effect on the availability and cost of the Issuer's funding and, consequently, have an adverse effect on the Issuer's business, results of operations and financial condition.

The Group is exposed to risks relating to brand, reputation and market rumours

Among other factors, the Group relies on its well-known and respected brand and good reputation in Finland when competing for customers. During the current turbulent market environment, having a good reputation is of particular importance as financial institutions are particularly susceptible to the negative impacts of rumours and speculation regarding their solvency and their ability to access liquidity. The brand and reputation of the Group can be affected by other factors outside the control of the Group. There can be no certainty that rumours or speculation would not arise and that such rumours or speculation, whether founded or not, would not have an adverse impact in the future.

Possible future decisions by the Group concerning its operations and the selection of services and products offered may have a negative effect on the Group brand. Furthermore, if global economic conditions continue to be uncertain and unstable and continue to particularly impact the financial services sector, the Group may suffer from rumours and speculation regarding, among other things, its solvency and liquidity situation. Negative developments in the Group's reputation and brand as well as negative views of consumers concerning the Group's products and services or rumours concerning the Group may have an adverse effect on the Group's business, results of operations and financial condition.

Customers and counterparties may file damages claims against the Savings Banks or the Group

The customers or counterparties of the companies belonging to the Group may make claims against the Savings Banks or the Group that may result in legal proceedings. These risks include, among others, potential liability for the sale of unsuitable products to the Savings Banks' customers (misselling) or managing customer portfolios against customer instructions due to, for example, human error or negligence, as well as potential liability for the advice that the Savings Banks provide to participants in securities transactions, or liability under securities or other laws in connection with securities offerings.

Should the Savings Banks or the Group be found to have breached their obligations, they may be obligated to pay damages. Such potential litigation could also have a negative impact on the Group's reputation among its customers or counterparties. Furthermore, the Group may face material adverse consequences if contractual obligations should prove to be unenforceable or be enforced in a manner adverse to the Group or should it become apparent that the Group's intellectual property rights or systems were not adequately protected or in operable condition.

The materialisation of any legal risks such as described above or any potential damages to be paid by the Group or the loss of its reputation may be substantial and could have an adverse effect on the Group's business, results of operations and financial condition.

The Group is exposed to system and information security risks

The Group's daily operations involve a large number of transactions, which rely on the secure processing, storage and transfer of confidential and other information in the Group's IT systems and information networks. Even though the Group utilises protective systems, the Group's IT system, equipment and network may be susceptible to unauthorised use, computer viruses and other harmful factors. With regards to maintaining IT systems and providing IT services, the Group relies to a considerable extent on Samlink Group, in which the Savings Banks together constitute a major shareholder (42%). Any failure by Samlink Group to maintain and develop IT systems or deliver agreed services as the Group requires could have a material adverse effect on the Group's business.

Furthermore, the Group's operations depend on confidential and secure data processing. As part of its business operations, the Group stores personal and banking specific information provided by its customers which in Finland are subject to certain regulations concerning privacy protection and banking secrecy. The Group may incur substantial costs if information security risks materialise. Resolving system and information security problems may cause interruptions or delays in the Group's customer service,

which could have an adverse effect on the Group's reputation and persuade customers to abandon the Group's services or to present the Group with claims for compensation. Furthermore, if the Group fails to effectively implement new IT systems or to adapt to new technological developments, it may incur substantial additional expenses or be unable to compete successfully in the market. Any one of the aforementioned factors could have an adverse effect on the Group's business, results of operations or financial condition.

There may be interruptions in the Group's business operations

The Group's business may be in danger of being interrupted due to sudden and unforeseeable events, such as disruptions to the distribution of power and data communications or water and fire damage. The Group may not be able to control such events within the scope of its present business continuity plans which may cause interruptions to business operations. Unforeseen events can also lead to additional operating costs, such as renovation and repairing costs, damages claims from customers affected by these events, higher insurance premiums and the need for redundant back-up systems. Additionally, insurance coverage for certain unforeseen risks may be unavailable, resulting in an increased risk for the Group. The Group's inability to effectively manage these risks could have a material adverse effect on the Group's business, results of operations or financial condition.

The Issuer's joint liability within the Amalgamation involves risks

Under the Amalgamation Act, the Union Co-op (as the central institution of the Amalgamation) is liable for the debts of its Member Credit Institutions. Furthermore, the Member Credit Institutions, including each of the Savings Banks, Central Bank of Savings Banks Finland Plc and the Issuer, are jointly liable for each other's liabilities.

The Union Co-op shall be liable to pay to any of its Member Credit Institutions such amounts as are necessary to prevent that credit institution from being subject to the commencement of insolvency proceedings against it. The Union Co-op, as the central institution, is responsible for the payment of any debts of a Member Credit Institution that such Member Credit Institution cannot pay.

Each Member Credit Institution's liability for the amount which the Union Co-op has paid to another Member Credit Institution either as (a) part of the support described above or (b) to a creditor of a Member Credit Institution as payment of a due debt which such Member Credit Institution has failed to pay, is divided between the Member Credit Institutions in proportion to their last adopted balance sheet totals. Furthermore, pursuant to the articles of association of the Union Co-op, a Member Credit Institution has unlimited liability to pay the debts of the Union Co-op as set out in Chapter 14, section 11 of the Finnish Act on Cooperatives (*Osuuskuntalaki* 421/2013), as amended (the "**Cooperatives Act**"). Otherwise, the liability to pay of each Member Credit Institution: (a) is limited to a proportional share of the total liability (each Member Credit Institution's liability for the amount which the Union Co-op has paid on behalf of one Member Credit Institution to its creditors is divided between the Member Credit Institutions in proportion to their last adopted balance sheet totals); and (b) is only applicable if such Member Credit Institution has at least a minimum capital adequacy, (in each case as set out, determined and subject to limitations in accordance with Chapter 5 of the Amalgamation Act).

Those entities within the Amalgamation that are not Member Credit Institutions will not be liable for Member Credit Institutions' debts under the Amalgamation Act.

The Covered Bonds issued under the Programme (along with Derivative Transactions and Bankruptcy Liquidity Loans) have a statutory priority over a certain portion of the assets of the Issuer which have been entered into the Register as collateral for the Covered Bonds. Under Section 25 of the CBA, this priority is limited to 70 per cent. in respect of Mortgage Loans and 60 per cent. in respect of Commercial Property Loans of the current value of the Property which stands as collateral for such loans. In the case of the liquidation of any Member Credit Institution other than the Issuer, the assets of the Issuer entered on the Register will not be available to cover such other Member Credit Institution's obligations until the Issuer's obligations under the Covered Bonds have been satisfied in accordance with the percentages described above. Regardless of the CBA's limitation to use the assets of the Issuer entered on the Register, the Issuer would be subject to the liability to pay its proportional share of the total liability of the debts of a Member Credit Institution and the unlimited liability to pay the debts of the Union Co-op in accordance with the description above.

The Union Co-op is responsible for the Amalgamation's risk management and has established a risk committee. The risk committee assists the Union Co-op's Board of Directors and operative management and its tasks include, but are not limited to, the assessments of the Member Credit Institutions' credit risks and management of the capital adequacy.

As a Member Credit Institution of the Amalgamation, the realisation of this risk factor could have a material adverse effect on the Issuer's business, results of operations and financial condition. For more information on the Amalgamation and the joint liability, see "*The Amalgamation Act—Joint liability of the Amalgamation*".

Changes in the composition of the Amalgamation may involve risks

The current composition of the Amalgamation may change, subject to certain restrictions. In accordance with the Amalgamation Act, a Member Credit Institution, such as the Issuer, Central Bank of Savings Banks Finland Plc or one of the Savings Banks, has the right to withdraw from its central institution membership, i.e. the membership in the Union Co-op, by deciding to alter its bylaws or articles of association and by notifying the Union Co-op's board of directors in writing thereof, so long as, after such withdrawal, the consolidated capital of the companies within the Amalgamation remains at the level as prescribed by section 19 of the Amalgamation Act. The decision of the Member Credit Institution shall be valid only if the related proposal is supported by a two-thirds majority vote given by those at a meeting of trustees of such Member Credit Institution (as the case may be) or if it is supported by at least a two-thirds vote given by those at a general meeting of shareholders and two-thirds of shares represented at the meeting of such Member Credit Institution. A calculation certified by the Union Co-op's auditors shall serve as proof of the maintenance of capital adequacy.

A Member Credit Institution may be expelled from the Union Co-op as specified in Chapter 3, section 3 of the Cooperatives Act or in case a Member Credit Institution has failed to comply with the instructions, issued by the Union Co-op by virtue of section 17 of the Amalgamation Act, in a manner that significantly endangers the management of liquidity or capital adequacy or the application of the standardised accounting policies or supervision of compliance with said policies, or in case a Member Credit Institution otherwise acts in material breach of the Amalgamation's general operating principles adopted by the Union Co-op. The decision shall be valid only if the related proposal is supported by a two-thirds majority vote given by those at a general meeting of the co-operative.

Among other things, the Amalgamation Act provides that a precondition for the merger of a Member Credit Institution into a credit institution other than another Member Credit Institution is that the board of directors of the Union Co-op shall be notified in writing of said merger prior to approval of the merger plan and that the consolidated capital of the companies within the Amalgamation remains at the level as prescribed by section 19 of the Amalgamation Act. In accordance with the Companies Act, a merger must be supported by at least two thirds of the votes cast and the shares represented at the general meeting of the merging credit institution.

Exiting Savings Banks remain liable for the debts and obligations of the Issuer only for a limited time

The provisions of the Amalgamation Act governing payment liability of a Member Credit Institutions shall also apply to a former Member Credit Institution which has withdrawn or been expelled from the Union Co-op, when a demand regarding payment liability is made on the credit institution, provided that less than five years have passed from the end of the calendar year of the credit institution's withdrawal or expulsion from the Union Co-op.

Prospective Covered Bondholders should, therefore, also note that an exiting Savings Bank will, under the provisions of the Amalgamation Act, only remain liable for and support the debt obligations of the remaining Member Credit Institutions (including those of the Issuer, and including the Covered Bonds) for a period of five years from the end of the calendar year of the exit of such Savings Bank. Prospective Covered Bondholders should therefore note that, with respect to Covered Bonds which have a maturity of greater than five years, the Issuer's ability to service such obligations will be at risk from the economic impact of a Savings Bank (particularly if such Savings Bank is disproportionately larger in comparison to the remaining Savings Banks) leaving or being expelled from the Amalgamation or no longer being a Member Credit Institution if such exit by such entity occurs greater than five years before the Maturity Date of such Covered Bonds. Furthermore, as a result, the ratings assigned to any such Covered Bond

may be adversely affected as of the date that any such Savings Bank withdraws or is expelled from the Union Co-op and the Amalgamation.

Should a Savings Bank withdraw or be expelled from the Union Co-op and the Amalgamation, the origination agreement between the leaving Savings Bank and the Issuer, which sets forth the terms on which the Savings Bank originated distributed loans on behalf of the Issuer, would terminate automatically and the managing such the loans originated by such Savings Bank, and the loan documentation, would be transferred from the leaving Savings Bank to the Issuer (or to another Savings Bank appointed by the Issuer). In such case, the withdrawn or expelled Savings Bank would be obligated to compensate the Issuer for all losses resulting from the loans originated by the Savings Bank. The withdrawn or expelled Savings Bank would be repaid the amount of any financing that such Savings Bank has advanced to the Issuer once the managing of the loans as well as the loan documentation is transferred to the Issuer (or to another Savings Bank appointed by the Issuer).

Irrespective of the payment liability described above, it cannot be excluded that possible withdrawals or expulsions from the Union Co-op's membership could adversely affect the Group's reputation and brand and, in turn, its business, results of operations and financial condition. In particular, the ratings of the Covered Bonds may be adversely affected, particularly if a Covered Bond will still be outstanding beyond the five years after which a Member Credit Institution has withdrawn from the Amalgamation.

The Group risk management may not be adequate

Core values, strategic goals and financial targets form the basis for risk and capital adequacy management in the Group. The purpose of the Group's risk management is to identify threats and opportunities affecting strategy implementation. The objective is to help achieve the targets set in the strategy by ensuring that risks are proportional to the Group's risk-bearing capacity. Even though the Group's personnel follow the guidelines issued on risk management and implement measures which mitigate losses, there can be no certainty that these measures would be fully adequate to manage and control risks. Some of the qualitative tools and metrics used by the Group for risk management purposes are based upon the use of observed historical market behaviour as well as future predictions. These tools and metrics may fail to predict or predict incorrectly future risk exposures which could lead to losses for the Group. Factors described above or any other failure in risk management could cause substantial losses and adversely affect the Group's business, results of operations and financial condition.

Risks associated with regulation

Regulation and oversight of the Group's business operations

The Group operates within a highly regulated industry and its activities are subject to extensive supervisory and regulatory regimes including, in particular, regulation in Finland and in the European Union. The Group must meet the requirements set forth in the regulations regarding, *inter alia*, minimum capital and capital adequacy, reporting with respect to financial information and financial condition, marketing and selling practices, advertising, terms of business and permitted investments, liabilities, payment of dividends as well as regulations regarding the Amalgamation (for more information on the Amalgamation, see "*Information on the Savings Banks Group and the Amalgamation*"). In addition, certain decisions made by the Group may require approval or notification to the relevant authorities in advance.

All banks and financial services companies face the risk that regulators may find they have failed to comply with applicable regulations or have not undertaken corrective action as required. Regulatory proceedings could result in adverse publicity for, or negative perceptions regarding, the Group, as well as diverting management's attention away from the day-to-day management of the business. A significant regulatory action against the Group could have a material adverse effect on the business of the Group, its results of operations and/or financial condition. This may affect the ability of the Issuer to meet its obligations under the Covered Bonds.

As regards the supervision of the Issuer, the new Single Supervisory Mechanism ("**SSM**") commenced its operations in November 2014. The SSM is a system of financial supervision comprising the ECB and the national competent authorities of participating EU countries. The legal basis for the SSM is the Council Regulation (EU) No 1024/2013. The ECB commenced its supervisory role under the SSM on 4 November 2014. Within the SSM, the ECB will directly supervise so-called significant credit institutions,

and will have an indirect role in the supervision of less significant credit institutions. Less significant credit institutions continue to be supervised by their national supervisors, in close cooperation with the ECB. Pursuant to the Finnish Credit Institution Act (8.8.2014/610, as amended) (in Finnish: *laki luottolaitostoiminnasta*) and the Council Regulation (EU) No 1024/2013, the Issuer is currently classified as a less significant credit institution and, therefore, the supervision of the Issuer under the SSM is primarily carried out by the Finnish Financial Supervisory Authority ("**FIN-FSA**"). However, under the SSM, the ECB can decide to directly supervise any one of the less significant credit institutions to ensure that high supervisory standards are applied consistently.

The new Capital Requirements Directive (2013/36/EU) (the "**CRD IV Directive**") and the Capital Requirements Regulation (575/2013) (the "**CRD IV Regulation**" and together with the CRD IV Directive, the "**CRD IV Package**") was published in the EU Official Journal on 27 June 2013. These rules and regulations implement the 'Basel III' measures issued by the Basel Committee on Banking Supervision ("**Basel III**") within the EU during 2014–2019. These regulatory changes are aimed, for example, at improving the quality of banks' capital base, reducing the cyclic nature of capital requirements, decreasing banks' indebtedness and setting quantitative limits to liquidity risk.

The changes brought about by the regulation package may have an impact on the business and productivity of banks. The requirements concerning the amount and nature of acceptable capital will have an impact on the amount of equity that will be recognised in capital adequacy calculations and will drive the business of banks towards long-term, low-yield financing arrangements at the expense of short-term ones and towards searching for new ways to obtain financing. In the medium term, therefore, banks must focus on increasing their capital and liquidity, which will reduce dividends and restrict the distribution of profits. Increasing the capital and liquidity of the banks will have an adverse impact on the productivity of banking. It will also have an impact on capital management, the pricing of products and business, the willingness to grant credit and the rearrangement of liabilities.

Investors may show less interest in equity or debt issues by banks, as the changes resulting from the regulation package will reduce the dividends paid by banks due to the requirement to increase equity, the return on equity and also the operating profit. The tightening supervision of proprietary trading combined with the changes in capital requirements and the valuation of different investments may give rise to a need for reorganisations within banking conglomerates, for mergers and acquisitions and for divestments of assets or businesses.

The changes brought about by the regulation package may have an impact on the financial position and profitability of banks. As the demand for long-term financing increases, the financing available from institutional investors, which are generally aiming to reduce their holdings in the finance sector, may prove to be insufficient. More than before, small banks will face difficulties in obtaining financing and capital that satisfies the requirements, which will enable larger banks to exert control over the market price of financing. Even if the availability of financing could be secured, financing may not be available at a reasonable price and under reasonable terms. As a result, some current business models may no longer be profitable, and some banks may exit the market, which would reduce competition in the banking sector.

Major parts of the CRD IV Package governing the capital adequacy and liquidity requirements are already in force in Finland and applicable to Finnish credit institutions. However, certain requirements of the CRD IV Package (for example, the provisions of the CRD IV Regulation relating to liquidity coverage requirements) have not yet taken full effect, as these requirements are intended to enter into force gradually. It is not possible to predict all the potential impacts the CRD IV Package may have on the banking sector before it has been fully implemented.

Other areas where changes could have an impact include, *inter alia*:

- changes in the monetary economy, the interest rate and the policies of central banks or regulatory authorities;
- general changes in government policy or regulatory policy which may have a material impact on investor decisions in specific markets in which the Group operates;
- changes in the competitive environment and pricing; and

- changes in the financial statements framework.

Any of the risks detailed above, if realised, could have a material adverse effect on refinancing opportunities, capital adequacy, business operations, financial standing, business results, prospects and payment capabilities of the Issuer as well as on the value of the Covered Bonds.

Stock exchange listing brings increased regulation

The stock exchange listing of Covered Bonds brings with it increased regulation and oversight of the Issuer and the Group's business operations, such as increased requirements concerning the obligation to provide regular and on-going information.

With the Market Abuse Regulation (596/2014/EU) ("**MAR**") applicable from 3 July 2016, the Issuer must comply with a new strengthened and broadened regime. MAR aims to harmonize market abuse rules within the EU by providing uniform rules on the prohibition of insider dealing, unlawful disclosure of inside information and market manipulation as well as to ensure the integrity of the financial market in the EU and to enhance investor protection and confidence in those markets. MAR imposes a range of regulatory requirements on the Issuer and violations of MAR may result in significant adverse consequences, such as penalties or even criminal sanctions. MAR also contains rules on, among other things, procedures relating to disclosure of inside information, maintenance of insider lists and disclosure of managers' transactions.

If the Issuer and/or the Group were deemed to have neglected the obligations incumbent upon issuers of listed covered bonds, this could have an adverse effect on the Issuer's business operations, its performance or its financial position and have a significant adverse effect on the Issuer's reputation.

The Group is exposed to risks related to changes in taxation

Tax risk refers to the risks associated with changes in, or errors in the interpretation of, taxation rates or law. This could result in increased charges or financial loss. A failure to manage this risk could adversely affect the Group's business, results of operations and financial condition.

Risks associated with abuse of the financial system

In global terms, the risk that banks may become the subject of or be exploited for the purposes of money laundering or the financing of terrorism has increased. The risk of future incidents involving money laundering or financing of terrorism is always in the background for financial institutions. Any breach of the rules that aim to prevent the illegal exploitation of the financial system or even the suspicion of such infringements could have grave legal consequences for the Group and its reputation, which, in turn, could have a significant adverse effect on the Issuer's business operations, its performance or its financial position.

Changes in accounting principles, standards and methods

The Group is exposed to financial reporting risks, which are related to the correctness and accuracy of the information reported by the segments and that the reporting is carried out in accordance with the International Financial Reporting Standards ("**IFRS**"), Finnish laws, rules and regulation.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH COVERED BONDS ISSUED UNDER THE PROGRAMME

Risks relating to the Covered Bonds

Set out below is a description of material risks relating to the Covered Bonds generally:

Amendments to the conditions of the Covered Bonds bind all Covered Bondholders

The conditions of the Covered Bonds contain provisions for calling meetings of Covered Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Covered Bondholders including such Covered Bondholders who did not attend and vote at the relevant meeting and the Covered Bondholders who voted in a manner contrary to the majority

Payments on the Covered Bonds may be subject to U.S. withholding under FATCA

The U.S. 'Foreign Account Tax Compliance Act' ("FATCA") imposes a reporting regime and, potentially, a 30 percent withholding tax with respect to (i) certain payments from sources within the United States, (ii) 'foreign pass through payments' made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. So long as the Covered Bonds are in global form and held within Euroclear Bank S.A./N.V. and Clearstream, Luxembourg (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see "*Taxation—FATCA*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make payments free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Covered Bonds are discharged once it has paid the common depositary or common safekeeper for the ICSDs (as bearer or registered holder of the Covered Bonds) and the Issuer therefore has no responsibility for any amount thereafter transmitted through the ICSDs, custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "IGA") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Increased capital requirements and standards

In recent years, the rules applicable to the capital of financial institutions continue to be changed across the European Union in order to implement Basel III. The directly applicable CRD IV Regulation entered into force in Finland on 1 January 2014. The CRD IV Directive was implemented in Finland through the new Credit Institutions Act, which came into force on 15 August 2014.

The CRD IV Package introduced significant changes in the prudential regulatory regime applicable to banks including: increased minimum capital ratios; changes in the elements of own funds, as well as changes in the calculation of own fund requirements; and the introduction of new measures relating to leverage, liquidity and funding. In respect of capital requirements, the CRD IV Package set out several measures intended to improve the quality of capital requirements applied to banks in addition to raising the amounts thereof. The purpose of these requirements is to improve the ability of banks to absorb losses in both their day-to-day operations and in situations of insolvency in addition to creating buffers against the economic cycle. The purpose of the leverage ratio requirement is to decrease the risk of a build-up of excessive leverage in financial institutions and in the financial system as a whole. The CRD IV Package permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the CRD IV Package leverage ratio, which are not expected to be finally implemented until 2020. Minimum capital requirements came into force from 1 January 2014 without transitional measures. Finnish regulatory capital and liquidity requirements are determined in accordance with both the directly applicable CRD IV Regulation and the Credit Institutions Act, which implements the requirements of the CRD IV Directive in to Finnish legislation. Pursuant to the Credit Institutions Act, a credit institution must continuously hold the minimum amount of own funds and consolidated own funds specified in the CRD IV Regulation and Chapter 10 of the Credit Institutions Act. Under the Credit Institutions Act, the definition of own funds correspond to the definition of own funds as set forth in the CRD IV Regulation. When calculating the required level of own funds for a Finnish credit institution, such calculation is carried out in accordance with both the CRD IV Regulation and the Credit Institutions Act.

Pursuant to the CRD IV Regulation, credit institutions must have a common equity Tier 1 capital ratio of at least 4.5 per cent., a Tier 1 capital ratio of 6 per cent. and a total capital ratio of 8 per cent. (each ratio expressed as a percentage of the total risk exposure amount). Furthermore, pursuant to the Credit Institutions Act, an additional capital conservation buffer of 2.5 per cent. has been applicable from 1

January 2015 to all credit institutions. The FIN-FSA is also authorised to set a countercyclical buffer of zero to 2.5 per cent. based on macroprudential analysis, although the FIN-FSA has not imposed such buffer as at the date of this Base Prospectus. Both the additional capital conservation buffer and the countercyclical buffer (if imposed in the future) must be satisfied with common equity Tier 1 capital. Finally, there is an additional capital buffer requirement for "other systemically important institutions" (O-SIIs) whose failure or other malfunction would be expected to jeopardise the stability of the national financial system. The O-SII buffer for credit institutions operating in Finland may be set at zero to 2 per cent. of the total risk exposure amount and must also be satisfied with common equity Tier 1 capital. As at the date of this Base Prospectus, neither the Group nor any Member Credit Institutions are designated as O-SIIs. The FIN-FSA has imposed an additional own funds requirement of 0.5 per cent. on the Amalgamation pursuant to the Credit Institutions Act from 30 June 2017 until 30 June 2020 or earlier, depending on whether the FIN-FSA chooses to lift the requirement before 30 June 2020. The additional capital buffer shall be filled with CET1 capital.

In respect of liquidity requirements, the Basel Committee has supplemented their principles for sound liquidity risk management and supervision by fortifying their liquidity recommendations. The Basel Committee has introduced two new liquidity ratios for credit institutions. Firstly, in order to improve the short-term payment capabilities of financial institutions, a liquidity coverage ratio ("**LCR**") was implemented in 2015, pursuant to which the liquidity buffer comprised of high quality liquid assets ("**HQLA**") must amount at least 100 per cent. (when fully implemented) of the stress-tested amount of monthly net cash outflows. In line with Basel III, the CRD IV Regulation imposes a liquidity coverage requirement on credit institutions to improve the resilience of credit institutions to liquidity risks over a short-term period (i.e. thirty days). The general liquidity coverage requirement applicable to EU credit institutions is set out in Article 412 of the CRD. Furthermore, on 10 October 2014, the European Commission published a Commission Delegated Regulation (EU) 2015/61 ("**Delegated Regulation**") to supplement the CRD IV Regulation with regard to the liquidity coverage requirement for credit institutions. Finnish credit institutions must comply with the liquidity requirement set forth in the CRD IV Regulation and as further specified by the Delegated Regulation. The liquidity coverage requirement laid down in Article 412 of the CRD IV Regulation (and as further specified by the Delegated Regulation) will be implemented gradually in accordance with Article 460(2) of the CRD IV Regulation. The first phase in the implementation of the liquidity coverage requirement took effect on 1 October 2015, when a minimum requirement of 60 per cent. of the liquidity coverage requirement set forth in CRR and the Delegated Regulation became applicable. The minimum requirement will rise gradually so that the liquidity coverage requirement must be fully met as of 1 January 2018.

Furthermore, the Basel Committee has developed the Net Stable Funding Ratio (the "**NSFR**") which aims to ensure that a firm has an acceptable amount of stable funding to support its assets and activities over a one year horizon. Although the NSFR is scheduled to become a minimum standard internationally by 1 January 2018, the ratio is subject to national implementation. On 23 November 2016, the European Commission published its proposed amendment to the CRD IV Regulation (COM(2016) 850 final) in relation to certain amendments of the NSFR and other definitions of the CRD IV Regulation, but the final effects of the proposal are unclear as at the date of the Base Prospectus.

The CRD IV Package requirements adopted in Finland may change, whether as a result of further changes to the CRD IV Package agreed by EU legislators, binding regulatory technical standards to be developed by the European Banking Authority (the "**EBA**") or changes to the way in which the FIN-FSA interprets and applies these requirements to Finnish banks (including as regards individual model approvals granted under CRD II (2009/111/EC) and CRD III (2010/76/EU)). This may result in a need for further management actions to meet the changed requirements, such as: increasing capital, reducing leverage and risk weighted assets, modifying legal entity structure (including with regard to issuance and deployment of capital and funding for the Savings Banks) and changing the Group's business mix or exiting other business and/or undertaking other actions to strengthen Group's capital position. The changes brought about by the CRD IV Package requirements may have an impact on the financial position and profitability of the Issuer or the Savings Banks. Furthermore, as a result of the implementation of the Directive 2014/59/EU (the directive providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms) into Finnish legislation, the FIN-FSA became empowered to apply various early intervention tools to credit institutions (such as the Issuer and the Savings Banks) that fail to comply with the capital requirements set out in the CRD IV Regulation. Additionally, the FIN-FSA and the ECB may cancel the Issuer's, Central Bank of Savings Bank Finland Plc's or a Savings Bank's licence as a credit institution if they fail to comply with the

requirements concerning their financial positions, calculated according to the regulations for capital adequacy specified in the Credit Institutions Act and the CRD IV Regulation.

Pursuant to the Amalgamation Act, the FIN-FSA has granted the central institution of the Amalgamation the power to waive the application of the liquidity requirements set out in part six of the CRD IV Package to individual Member Credit Institutions.

The Issuer may be subject to statutory resolution

On 6 May 2014, the EU Council adopted the European Union directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**"). The BRRD sets out the necessary steps and powers to ensure that bank failures across the EU are managed in a way which mitigates the risk of financial instability and minimises costs for taxpayers. The BRRD is designed to provide authorities with a harmonised set of tools and powers to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contemplates that powers will be granted to supervisory authorities including (but not limited to) the introduction of a statutory "write-down and conversion power" (exercisable in relation to Tier 1 capital instruments and Tier 2 capital instruments) and a "bail-in" power (exercisable in relation to other securities that are not Tier 1 or Tier 2 capital instruments), which will give the relevant resolution authority the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Covered Bonds to the extent not covered by the CBA) of a failing financial institution and/or to convert certain debt claims (which could include the Covered Bonds to the extent not covered by the CBA) into another security, including equity instruments of the surviving Group entity, if any. The Finnish legislation implementing the BRRD entered into force on 1 January 2015. For more information on the implementation of the BRRD in Finland, see "*The Finnish resolution legislation implementing the BRRD Directive*".

As well as a "write-down and conversion power" and a "bail-in" power as described above, the powers granted to the relevant resolution authority under the BRRD include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge bank" (a publicly controlled entity) and (iii) transfer the impaired or problem assets of the relevant financial institution to an asset management vehicle to allow them to be managed over time. In addition, among the broader powers granted to the relevant resolution authority under the BRRD, the BRRD provides powers to the relevant resolution authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments.

The BRRD contains safeguards for shareholders and creditors in respect of the application of the 'write down and conversion' and "bail-in" powers which aim to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings.

The general bail-in powers set out in the BRRD are not intended to apply to secured debt (such as the Covered Bonds to the extent they are secured). However, to the extent that claims in relation to the Covered Bonds are not met out of the assets comprising the Cover Pool (and the Covered Bonds subsequently rank *pari passu* with unsecured debt), the Covered Bonds may be subject to write-down or conversion into equity on any application of the general bail-in powers, which may result in the Covered Bondholders losing some or all of their investment. Further, there remains significant uncertainty regarding the ultimate nature and scope of the bail-in powers under the BRRD and how they will affect the Issuer, the Group and the Covered Bondholders, and there can be no assurance that the manner in which it is implemented or the taking of any actions by the relevant resolution authority currently contemplated in the BRRD would not adversely affect the rights of the Covered Bondholders, the price or value of the Covered Bonds and/or the Issuer's ability to satisfy its obligations under the Covered Bonds. The exercise of any such power or any suggestion of such exercise could materially adversely affect the value of any Covered Bonds and could lead to the Covered Bondholders losing some or all of their

investment in the Covered Bonds. Prospective investors in the Covered Bonds should consult their own advisors as to the consequences of the implementation of the BRRD.

In addition to the BRRD, the EU has adopted a directly applicable regulation governing the resolution of the most significant financial institutions in the Eurozone, i.e. a regulation establishing a Single Resolution Mechanism for them (806/2014, "**SRM Regulation**"). The SRM Regulation establishes a single European resolution board (consisting of representatives from the ECB, the European Commission and the relevant national resolution authorities) (the "**Resolution Board**") having resolution powers over the entities that are subject to the SRM Regulation, thus replacing or exceeding the powers of the national resolution authorities. As at the date of this Base Prospectus, the Issuer is not subject to the SRM Regulation but to the Finnish resolution legislation implementing the BRRD.

The Finnish resolution legislation implementing the BRRD

The BRRD was implemented in Finland through the Act on Resolution of Credit Institutions and Investment Firms (1194/2014, as amended) (in Finnish *laki luottolaitosten ja sijoituspalveluyritysten kriisinvratkaisusta*), (the "**Resolution Act**") and the Act on Financial Stability Authority (1195/2014, as amended) (in Finnish *laki rahoitusvakausviranomaisesta*). Both acts entered into force on 1 January 2015. The latter regulates the Finnish Financial Stability Authority (the "**Stability Authority**"), which will be the national resolution authority having counterparts in all EU member states. Among its key tasks, the Stability Authority draws up resolution plans for institutions, decides whether a failing institution is placed under resolution and applies the necessary resolution tools to an institution under resolution. The implementation of the BRRD also involved amendments to dozens of existing acts, most notably to the Credit Institutions Act, and the repeal of the Act on the Temporary Bank Levy and of the Act on the Government Guarantee Fund.

Under the new regime, credit institutions are generally required to draw up recovery plans or living wills to secure continuation of business in financial distress. These plans must include options for measures to restore the financial viability of the institution and they must be updated annually. The plans have to be submitted to the FIN-FSA for scrutiny. In the context of the new legislation, the FIN-FSA became empowered to apply early intervention tools to banks and investment firms if the FIN-FSA has weighty reasons to believe that the institution will fail its licensing conditions, liabilities or obligations under the capital adequacy regulations within the next 12 months. The early intervention tools encompass, among others, rights of the FIN-FSA to require the management to implement measures included in the living will, to convene a general meeting of shareholders to take necessary decisions, to require removal of members of the management and to require changes to the legal and financial structure of the institution.

Pursuant to the Resolution Act, the Stability Authority shall draw up and adopt a resolution plan for the institutions subject to its powers, including the Member Credit Institutions. The resolution plan is ready for execution in the event that the institution in question has to be placed into a resolution process. The Resolution Act vests the Stability Authority with resolution powers and tools as provided in the BRRD. To be able to use the other resolution tools the Stability Authority shall first place the institution in a resolution process. During the process, the institution could be subject to a number of resolution tools: the Stability Authority has the right to mandatory write-down the nominal value of liabilities and convert liabilities into regulatory capital instruments (bail-in), sale of business, bridge institution and asset separation. To continue the operations of the institution, the Stability Authority has the power to decide upon covering losses of the institution by reducing the value of the institution's share capital or cancelling its shares. This (as well as bail-in) is a precondition for any support from a newly established resolution fund administered by the Stability Authority.

The aim of the laws implementing the BRRD (in Finland, the "**Finnish Resolution Laws**") is to provide authorities with a broad range of powers and instruments to address failing financial institutions in order to safeguard financial stability and minimise tax payers' exposure to losses. The new regime imposes, *inter alia*, an obligation on the resolution authority and financial institutions to prepare resolution and recovery plans, authorises the resolution authority to assess the resolvability of a financial institution, and to address or remove impediments to resolvability. In the event that a financial institution becomes distressed, the new regime allows competent authorities (in Finland the FIN-FSA), to intervene and take early intervention measures with respect to the financial institution where the FIN-FSA considers that it is likely that the institution will not be able to meet the conditions of its authorisation or its other liabilities or infringes its capital adequacy requirements. Such measures include the power to require the financial institution to take measures referred to in its recovery plan and, if necessary, require the institution to

convene its general meeting to approve any such measures requested by the FIN-FSA, require the institution to prepare a plan on the reorganisation of its debts as instructed by the FIN-FSA, and to require the institution to change its strategy, and/or the legal or administrative structure of the institution.

The resolution authority is vested with the power to implement resolution measures with respect to a financial institution where the resolution authority considers that the financial institution in question is failing or likely to fail, and where there is no reasonable prospect that any measures could be taken to prevent the failure of the institution and that the taking of the resolution measures is necessary to protect the significant public interest.

An institution will be considered as failing or likely to fail in the following circumstances: when it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances). Neither the Issuer nor any of the Member Credit Institutions have been classified as a systematically important institution domestically or globally or as otherwise a significant credit institution for the financial system in Finland by the FIN-FSA.

The powers set out in the Finnish Resolution Laws will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The bail-in tool is not intended to apply to secured debt, and hence should apply to Covered Bonds only to the extent that the amounts payable in respect of the Covered Bonds exceeded the value of the cover pool collateral against which payment of those amounts is secured. However, there remains significant uncertainty as to the ultimate nature and scope of the bail-in tool and how it would affect the Covered Bondholders and the Issuer.

There remains uncertainty regarding how the new Finnish resolution legislation would affect the Issuer, the Group, the price or value of an investment in the Covered Bonds and/or the Issuer's ability to satisfy its obligations under the Covered Bonds. Accordingly, it is not yet possible to assess the full impact of the new Finnish resolution legislation. The Covered Bonds may be part of the claims and debts in respect of which the Stability Authority could use the bail-in powers to write-down or convert the principal of the Covered Bonds. There can be no assurances that the new Finnish resolution legislation could not adversely affect the price or value of an investment in Covered Bonds subject to the provisions of the new Finnish resolution legislation and/or the ability of the Issuer to satisfy its obligations under such Covered Bonds. Prospective investors in the Covered Bonds should consult their own advisors as to the consequences of the implementation of the Finnish resolution legislation.

The BRRD and the Resolution Act introduced the requirement for firms to meet the minimum requirement for own funds and eligible liabilities ("**MREL**"), which is designed to ensure sufficient loss absorbing capacity to enable the continuity of critical functions without recourse to public funds.

The Finnish Stability Authority prepared the first resolution plan for the Amalgamation on 10 April 2017. A decision on MREL was given by the FIN-FSA on 25 May 2017 and the MREL requirement will be applicable starting 31 December 2018 and will only be applied on the Amalgamation-level.

There may not be an active trading market for the Covered Bonds

The Covered Bonds are newly issued securities which may not be widely distributed and for which there may not be an active trading market. If the Covered Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Group. Although applications may be made for the Covered Bonds to be admitted to the Official List of the ISE and traded on the regulated market of the ISE, there is no assurance that such applications will be accepted, that any particular Tranche of Covered Bonds will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Covered Bonds. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

The Covered Bonds may be redeemed prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Covered Bonds due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Finland or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Covered Bonds in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Covered Bonds the relevant Final Terms specifies that the Covered Bonds are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Covered Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Covered Bonds.

Investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg

The Covered Bonds will be represented by the Global Covered Bonds except in certain limited circumstances described in the Permanent Global Covered Bonds. The Global Covered Bonds will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Covered Bonds, investors will not be entitled to receive definitive Covered Bonds. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Covered Bonds. While the Covered Bonds are represented by the Global Covered Bonds, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Covered Bonds by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Covered Bonds must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Covered Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Covered Bonds.

Covered Bondholders of beneficial interests in the Global Covered Bonds will not have a direct right to vote in respect of the Covered Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Covered Bonds will not have a direct right under the Global Covered Bonds to take enforcement action against the Issuer in the event of a default under the Covered Bonds but will have to rely upon their rights under the Deed of Covenant.

Changes in laws or administrative practices could entail risks

The conditions of the Covered Bonds are based on the laws of England and Finland in effect as at the date of issue of the relevant Covered Bonds. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or Finland or administrative practice after the date of this Base Prospectus. Furthermore, the Issuer and the Group operate in a heavily regulated environment and have to comply with extensive regulations in the Republic of Finland, such as the Amalgamation Act and the CBA in particular. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices of Finland after the date of this Base Prospectus.

Denominations of the Definitive Covered Bonds may be illiquid

In relation to any issue of Covered Bonds which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Covered Bonds may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination (or its equivalent). In such a case a Covered Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive Definitive Covered Bonds in respect of such holding (should Definitive Covered Bonds be printed) and may need to purchase a principal amount of Covered Bonds such that its holding amounts to the minimum Specified Denomination.

If Definitive Covered Bonds are issued, Covered Bondholders should be aware that Definitive Covered Bonds which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The market values of securities issued at a substantial discount (such as Zero Coupon Covered Bonds) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the larger the remaining term of such securities the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Conflicts may arise between the interests of the Calculation Agent and the interests of the Covered Bondholders

Potential conflicts of interest may exist between the Calculation Agent (if any) and Covered Bondholders, including with respect to certain determinations and judgements that such Calculation Agent makes pursuant to the Conditions that may influence amounts receivable by the Covered Bondholders during the term of the Covered Bonds and upon their redemption.

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Covered Bonds under the Programme. In such a case, the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Covered Bondholders during the term and on the maturity of the Covered Bonds or the market price, liquidity or value of the Covered Bonds and which could be deemed to be adverse to the interests of the Covered Bondholders.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk and interest rate risk:

Established trading market for the Covered Bonds may not develop

The Covered Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rates and exchange controls involve risks

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Covered Bonds, (b) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (c) the Investor's Currency-equivalent market value of the Covered Bonds. Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Fixed rate Covered Bonds are subject to interest rate risks

Investment in fixed rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate Covered Bonds.

Interest on floating rate Covered Bonds may fall below the margin

A Covered Bondholder of floating rate Covered Bond is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of floating rate Covered Bonds in advance. In the event that the reference rate used to calculate the applicable interest rate turns negative, the interest rate on the Covered Bonds will therefore be below the margin as specified in the Final Terms and may be zero. Accordingly, the Covered Bondholders of floating rate Covered Bonds may not be entitled to interest payments for certain or all interest periods. Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future development of such floating rate during the term of any Covered Bond.

Risks relating to the ratings of the Covered Bonds

The ratings assigned to the Covered Bonds to be issued under the Programme by S&P express a relative ranking of creditworthiness.

The expected ratings of the Covered Bonds will be set out in the relevant Final Terms for each Tranche of Covered Bonds. However, Covered Bondholders should be aware that any issuance of Covered Bonds will, subjected to the comments made below, be subject to written confirmation from S&P that such issuance will not adversely affect the then current ratings of the existing Covered Bonds. S&P may lower its rating or withdraw its rating if, in the sole judgment of S&P, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A rating may not reflect the potential impact of all of the risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds.

In general European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

Covered Bondholders should note that at any time S&P may revise its relevant rating methodology or revise its current ratings criteria with result that, among other things, any rating assigned to the Covered Bonds may be lowered and/or in order to comply with any such revised criteria or rating methodology, amendments may be made to the transaction documents.

Any changes to the methodology applied for rating covered bonds or the expectations of S&P with regards to the nature of counterparty contracts and ratings of Cover Pool counterparties might lead to a downgrade of the Covered Bonds or re-affirmation of the Covered Bond rating and might require that certain amendments are made to the transaction documents to be able to satisfy the revised criteria.

For the avoidance of doubt, the Issuer will not be obliged, following a change in rating methodology by S&P to amend any of the transaction documents to maintain the then ratings of the Covered Bonds.

Risks related to the structure of the Covered Bonds

Extended Maturity of the Covered Bonds

If the Issuer notifies the Agent in accordance with the Conditions that it will not redeem a Series of Covered Bonds in full on the Maturity Date at their Final Redemption Amount, the maturity of the outstanding principal amount of such Covered Bonds on the Maturity Date will be automatically extended to the earlier of the monthly Extended Maturity Date on which such Covered Bond is redeemed in full and the Extended Maturity Date in accordance with Condition 8(j). In the event of such extension, the Issuer may redeem the outstanding principal amount of such Covered Bonds at their Final Redemption Amount on any extended Interest Payment Date up to and including the Extended Maturity Date. The extension of

the maturity of the outstanding principal amount of the Covered Bonds to a date falling after the Maturity Date will not result in any right of the Covered Bondholders to accelerate payments on such Covered Bonds and no payment will be payable to the Covered Bondholders in that event other than as set out in the Conditions.

Sharing of the Cover Pool

Under the CBA, Covered Bondholders (along with counterparties to Derivative Transactions and providers of Bankruptcy Liquidity Loans) are given a statutory priority in the liquidation or bankruptcy of the Issuer in relation to a certain portion of the assets entered into the Register as collateral in respect of the Covered Bonds. Under Section 25 of the CBA, this priority is limited to 70 per cent. in respect of Housing Loans and 60 per cent. in respect of Commercial Property Loans of the current value of the Property which stands as collateral for such Mortgage Loans. Accordingly, notwithstanding that the Issuer has entered into liquidation or bankruptcy proceedings, Covered Bondholders (along with counterparties to Derivative Transactions and providers of Bankruptcy Liquidity Loans and holders of N-Bonds) have the right to receive payment before all other claims against the Issuer out of the proceeds of the prioritised portion of the Cover Pool. To the extent that claims of the Covered Bondholders in respect of the Covered Bonds are not met out of the Cover Pool, the residual claims of the Covered Bondholders will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer. Covered Bondholders will not have any preferential right to the Issuer's assets other than those entered into the Register as collateral in respect of the Covered Bonds. Given the *pari passu* ranking of the Covered Bonds, Derivative Transactions and Bankruptcy Liquidity Loans and N-Bonds under the CBA, in the event of the Issuer's liquidation or bankruptcy, the amount available to be paid to Covered Bondholders out of the Cover Pool on a prioritised basis may be affected by the amounts payable at the relevant time to counterparties of Derivative Transactions and the providers of Bankruptcy Liquidity Loans.

The funds accruing from the prioritised portion of assets entered in the Cover Pool of the Covered Bonds after the commencement of liquidation or bankruptcy proceedings are, under the CBA, entered into the Register as collateral until the Covered Bondholders, counterparties to Derivative Transactions and providers of Bankruptcy Liquidity Loans and holders of any N-Bonds issued are repaid in accordance with the terms and conditions of the Covered Bonds, Derivative Transactions and Bankruptcy Liquidity Loans and N-Bonds, as applicable. Such provision of the CBA shall also be applied to the funds accrued to the Issuer after the commencement of the liquidation or bankruptcy proceedings on the basis of Derivative Transactions entered into the Register in respect of the Covered Bonds or assets entered into the Register as collateral in respect of the Covered Bonds.

Default of Issuer's Assets

Default of the Issuer's assets (in particular assets in the Cover Pool) could jeopardise the Issuer's ability to make payments on the Covered Bonds in full or on a timely basis. In case of defaults of the Issuer's assets in the Cover Pool, the Issuer must supplement the Cover Pool to comply with the statutory requirements and if the current value of the total amount of the Cover Pool does not continuously exceed the current value of the combined payment obligations resulting from the Covered Bonds by at least two per cent, the FIN-FSA may withdraw the Issuer's licence for mortgage bank activities and the assets in the Cover Pool may not fully cover the payments on the Covered Bonds. To the extent that claims of the Covered Bondholders in respect of the Covered Bonds are not met out of the Cover Pool, the residual claims of the Covered Bondholders will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

Transfer of Covered Bonds and the Cover Pool in bankruptcy

In bankruptcy, a bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding collateral to a mortgage credit bank, deposit bank or credit entity that has acquired a licence to issue covered bonds or to a foreign mortgage credit bank which is subject to supervision corresponding to that of the CBA unless the terms of the covered bond provide otherwise.

No market for collateral after the insolvency of the Issuer

There is no assurance as to whether there will be a trading market for the collateral in the Cover Pool or an eligible transferee to take over the obligations relating to the Covered Bonds and the corresponding collateral after the insolvency of the Issuer.

Liquidity risk post Issuer's bankruptcy

It is believed that neither an insolvent issuer nor its bankruptcy estate would have the ability to issue covered bonds. Under the CBA, the bankruptcy administrator (upon the demand or with the consent of a supervisor appointed by the FIN-FSA) may, however, raise liquidity through the sale of Mortgage Loans and other assets in the Cover Pool to fulfil the obligations relating to the Covered Bonds. Further, the bankruptcy administrator (upon the demand or with the consent of a supervisor appointed by the FIN-FSA) may take out liquidity loans and enter into other agreements to secure liquidity. Counterparties in such liquidity credit transactions will rank *pari passu* to holders of Covered Bonds and existing derivative counterparties with respect to assets in the Cover Pool. However, there can be no assurance as to the actual ability of the bankruptcy estate to raise post- bankruptcy liquidity, which may result in a failure by the Issuer to make full and timely payments to holders of Covered Bonds and existing derivative counterparties.

Failure of the Cover Pool to meet the matching requirements

The Issuer will be required under the CBA to comply with certain matching requirements as long as there is any Covered Bond outstanding. Under the CBA, if the Cover Pool does not fulfil the requirements provided for in the CBA, the FIN-FSA may set a time limit within which the issuer shall place more collateral in compliance with the CBA. If these requirements are not met, the Issuer's licence for mortgage credit bank operations may be withdrawn. If the Issuer is placed in liquidation or declared bankrupt, and the requirements for the total amount of collateral of the Covered Bonds in sections 16 and 17 of the CBA cannot be fulfilled, a supervisor appointed by the FIN-FSA may demand that the Issuer's bankruptcy administrator declare the Covered Bonds due and payable and sell the assets being used as collateral for the Covered Bonds. This could result in the holders of Covered Bonds receiving payment according to a schedule that is different than that contemplated by the terms of the Covered Bonds (with accelerations as well as delays) or that the holders of Covered Bonds are not paid in full, in part, due to the statutory limit to the priority of holders of Covered Bonds.

Ability of Supervisor to declare Covered Bonds due and payable

If the Issuer is placed in liquidation or declared bankrupt, and the requirements for the total amount of collateral of the Covered Bonds in sections 16 and 17 of the CBA cannot be fulfilled, a supervisor appointed by the FIN- FSA may demand that the Issuer's bankruptcy administrator declare the Covered Bonds due and payable and sell the assets placed as collateral for the Covered Bonds. Covered Bondholders of Covered Bonds should be aware therefore that their Covered Bonds may be declared forthwith due and payable prior to their Maturity Date.

Collection of Mortgage Loans and Default by Borrowers

The Mortgage Loans which secure the Covered Bonds will comprise loans secured on Property. The Issuer will substitute assets that are, for any reason, no longer eligible for collateral with eligible assets in accordance with the CBA. If the Issuer does not have sufficient assets to be added to the Cover Pool, the Issuer would breach its statutory obligations as stipulated by the provisions of the CBA and the FIN-FSA may set a time limit within which the Issuer shall place more collateral in compliance with the CBA and the conditions of the relevant Covered Bonds. If these requirements are not complied with, the Issuer's licence for mortgage bank activities may be withdrawn.

A borrower may default on its obligation under such Mortgage Loan. Defaults may occur for a variety of reasons. Defaults under Mortgage Loans are subject to credit, liquidity and interest rate risks and rental yield reduction (in the case of investment Properties). Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in borrowers' individual, personal or

financial circumstances may affect the ability of the borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce, weakening of financial conditions or results of business operations and other similar factors may lead to an increase in delinquencies by and bankruptcies of borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay the Mortgage Loans. In addition, the ability of a borrower to sell a Property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that Property, the value of that Property and property values in general at the time.

Value of Security over Property

The security for a Mortgage Loan included in the Cover Pool consists of, amongst other things, the Issuer's interest in security over a Property. The value of such security and, accordingly, the level of recoveries on an enforcement of such security, may be affected by, among other things, a decline in the value of Property and priority of such security. No assurance can be given that the values of relevant Properties will not decline or have not declined since the Mortgage Loan was originated. Where the Issuer enforces security over a Property, realisation of that security is likely to involve obtaining of a court decision confirming the payment obligation of the borrower and approving the sale of that Property through public auction. The ability of the Issuer to dispose of a Property without the consent of the borrower will depend on (i) the above decision by a court and the public auction (in the case of a mortgageable property but not in the case of shares in a housing or real estate company), (ii) the relevant housing market or commercial property market conditions at the relevant time and (iii) the availability of buyers for the relevant Property.

Concentration of Location of Properties

According to the Origination Criteria for the Mortgage Loans, all Mortgage Loans contained in the Cover Pool will be secured on Property located or incorporated in Finland. The value of the Cover Pool may decline sharply and rapidly in the event of a general downturn in the value of Property in Finland. Any such downturn may hence have an adverse effect on the Issuer's ability to satisfy its obligations under the Covered Bonds and/or the price or value of the Covered Bonds.

No Due Diligence

The Dealers have not undertaken and will not undertake any investigations, searches or other actions in respect of any Mortgage Loans, Public-Sector Loans or Supplementary Collateral contained or to be contained in the Cover Pool but will instead rely on representations and warranties provided by the Issuer in the Dealer Agreement. The Issuer is obliged to ensure the Cover Pool fulfils the requirements of the CBA.

Finnish Covered Bond Act Untested

The CBA came into effect on 1 August 2010. The protection afforded to the holders of the Covered Bonds by means of a preference on the Cover Pool is based only on the CBA. Although the CBA regulates the operations of mortgage credit banks in detail, there is currently limited practical experience in relation to the operation of the CBA.

No Events of Default

The terms and conditions of the Covered Bonds do not include any events of default relating to the Issuer, and therefore the terms and conditions of the Covered Bonds do not entitle Covered Bondholders to accelerate the Covered Bonds. As such, it is envisaged that Covered Bondholders will only be paid the scheduled interest payments under the Covered Bonds as and when they fall due under the terms and conditions of the Covered Bonds.

Loan Acquisition and Limited Recourse to the Originators

The Savings Banks who originated the Mortgage Loans, and from whom the Issuer has purchased such Mortgage Loans (the "**Originators**"), have undertaken in the Origination Agreements, made between the Issuer and the relevant Originators, that when originating Mortgage Loans on behalf of the Issuer, the Originator shall comply with the instructions of the Group and the Issuer. This requires that each Mortgage Loan and its related security and the nature and circumstances of borrower satisfy the requirements of the CBA and the regulations made thereunder. None of the Issuer, the Arranger or the

Dealers has made or caused to be made (or will make or cause to be made) on its behalf any enquiry, search or investigation in relation to compliance by the relevant Originator or any other person with the lending criteria or origination procedures or the adequacy thereof or with any applicable laws or in relation to the execution, legality, validity, perfection, adequacy of enforceability of any Mortgage Loan or the related security. The Issuer will instead rely solely on its own internal supervision and the internal supervision performed by the Savings Banks, and the undertakings given by the relevant Originator in the relevant Origination Agreement and the instructions given to the Originators by the Issuer and the Savings Banks Group. Under the Origination Agreements, the Issuer has the right to suspend the distribution of Mortgage Loans by the Originator to the Issuer in circumstances where the Originator does not comply with the instructions and rectify its erroneous behaviour without delay after notified to do so by the Issuer, or where the Savings Banks solvency ratio falls below certain threshold. Further, in the event that an Originator has provided a Mortgage Loan against the relevant instructions of the Issuer in such a manner that the said loan cannot be utilised as collateral in the Issuer's refinancing, the Originator shall pay to the Issuer an amount equalling to the undisbursed amount of the principal of the Mortgage Loan, the interest accrued and a repayment fee. Upon request of the Originator, such originated Mortgage Loan shall be transferred back to the Originator by the Issuer.

Limited Description of the Cover Pool

Covered Bondholders will not receive detailed statistics or information in relation to the Mortgage Loans and other Eligible Assets covering the Covered Bonds, as it is expected that the composition of the portfolio of such Mortgage Loans and other Eligible Assets may change from time to time due to, for example, the purchase of further Mortgage Loans from time to time. As the Cover Pool is dynamic, there are no assurances that the credit quality of the assets in the Cover Pool will remain the same as at the date of this Base Prospectus or on or after the issue date of any Covered Bonds.

Reliance on Derivative Transaction Providers

The Issuer may from time to time enter into one or more Derivative Transactions in order to hedge against risks relating to the Covered Bonds or Mortgage Loans or other Eligible Assets placed as collateral for such Covered Bonds.

To provide a hedge against possible variances in the rates of interest receivable on the Mortgage Loans and other Eligible Assets from time to time held by the Issuer as collateral for the Covered Bonds (which may, for instance, include variable rates of interest, discounted rates of interest, fixed rates of interest or interest rate caps or collars) and the interest rate(s) under the Covered Bonds, the Issuer may from time to time enter into one or more interest rate derivative transactions, and to provide a hedge against possible variances in the currency in which payments will be made to the Issuer in respect of the Mortgage Loans and other assets from time to time held by the Issuer as collateral for the Covered Bonds and the currencies in which the Issuer will be required to make payments in respect of the Covered Bonds, the Issuer may from time to time enter into currency swap transactions. If the Issuer enters into a relevant Derivative Transaction at the time of an issuance of Covered Bonds, the Issuer shall disclose in the Final Terms the nature of the hedge (for example, an interest rate swap transaction or a currency swap transaction) and the identity of the Derivative Transaction counterparty.

If any Derivative Transaction counterparty defaults on its obligations to make payments in the relevant currency and/or at the relevant rate of interest under the relevant Derivative Transaction, the Issuer will be exposed to changes in the relevant rates of interest and/or the relevant currency exchange rates. Unless one or more replacement Derivative Transactions are entered into, the Issuer may not have sufficient funds to make payments under all Covered Bonds then outstanding.

Change in credit rating

Any material deterioration in the Issuer's existing credit ratings may significantly reduce its access to the debt markets and result in increased interest rates on future debt. A downgrade in the Issuer's credit ratings may result from factors specific to the Issuer or from other factors such as general economic weakness or sovereign credit rating ceilings. A downgrade in the Issuer's credit rating may also result in the Issuer's Covered Bond Programme being downgraded. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

INFORMATION INCORPORATED BY REFERENCE

The following information, which has previously been published or is published simultaneously with this Base Prospectus and has been submitted to and filed with the CBI, shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus:

1. The unaudited half-year report of the Issuer as at and for the period from 1 January 2017 to 30 June 2017 (which can be viewed online at: http://www.saastopankki.fi/documents/10180/6662015/Sp_Kiinnitysluottopankki_Puolivuositiedot_2017_eng.pdf/1a68c2cc-ffa4-464b-9c38-42526d6fc2ab);
2. The Auditor's report and the audited financial statements of the Issuer as at and for the year ended 31 December 2016 (which can be viewed online at: http://www.saastopankki.fi/documents/10180/4220570/Sp_Kiinnitysluottopankki_Toimintakertomus_IFRS_Tilinpäätös_2016_En.pdf/c8d1c1e0-4173-4687-b7d9-7969585bf9b3);
3. The unaudited half-year report of the Group as at and for the period from 1 January 2017 to 30 June 2017 (which can be viewed online at: http://www.saastopankki.fi/documents/10180/6662015/SP_Ryhmä_Puolivuositiedot_2017_En.pdf/5c33e494-6399-4cb0-a4c4-6d2ef7b976b2);
4. The Auditors' report and consolidated financial statements of the Group as at and for the year ended 31 December 2016 (which can be viewed online at: http://www.saastopankki.fi/documents/10180/4220570/SP_Ryhmä_Toimintakertomus_IFRS_tilinpäätös_2016_En.pdf/bc87a93a-2a9a-4ab4-9272-803c3a82bd54);
5. The Auditors' report and audited consolidated financial statements of the Group as at and for the year ended 31 December 2015 (which can be viewed online at: <http://www.saastopankki.fi/documents/10180/0/SAVINGS+BANKS+GROUP%27S+BOARD+OF+DIRECTORS%27%20REPORT+AND+CONSOLIDATED+IFRS+FINANCIAL+STATEMENTS+31+DECEMBER+2015/8cf4043d-753c-47a0-a50f-059c84f7d900?version=1.0>).

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge (i) during normal business hours on weekdays at the registered office of the Issuer at Teollisuuskatu 33, 00510 Helsinki, Finland and at the specified office of the Paying Agent at 60, avenue J.F. Kennedy, L1855 Luxembourg and (ii) in electronic format, from the Issuer's website at <http://www.saastopankki.fi/raportit-ja-tiedotteet>. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus. Copies of the documents containing the information incorporated by reference in this Base Prospectus can be obtained, free of charge, from the registered office of the Issuer as set out at the end of this Base Prospectus or at the Issuer's website as set out above. For the avoidance of doubt, the website is not incorporated by reference in this Base Prospectus.

Any websites referred to herein do not form part of this Base Prospectus.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Covered Bonds, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Covered Bonds. In relation to the different types of Covered Bonds which may be issued under the Programme, the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Covered Bonds which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Covered Bonds.

Any information relating to the Covered Bonds which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Covered Bonds will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Covered Bonds, may be contained in a Drawdown Prospectus.

For a Tranche of Covered Bonds which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Covered Bonds which is the subject of Final Terms are the Conditions described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Covered Bonds which is the subject of a Drawdown Prospectus will be the Conditions as amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Covered Bonds which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Covered Bonds.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CBI in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Covered Bonds.

FORMS OF THE COVERED BONDS

Bearer Covered Bonds

Each Tranche of Covered Bonds in bearer form ("**Bearer Covered Bonds**") will initially be in the form of either a temporary global Covered Bond in bearer form (the "**Temporary Global Covered Bond**"), without interest coupons, or a permanent global Covered Bond in bearer form (the "**Permanent Global Covered Bond**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Covered Bond or, as the case may be, Permanent Global Covered Bond (each a "**Global Covered Bond**") which is not intended to be issued in new global covered bond ("**NGCB**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Covered Bonds with a depository or a common depository for Euroclear Bank S.A./N.V. as operator of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Covered Bond which is intended to be issued in NGCB form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Covered Bonds with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the ECB announced that Covered Bonds in NGCB form are in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Covered Bonds in NGCB form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGCB form is used.

In the case of each Tranche of Bearer Covered Bonds, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Covered Bonds or, if the Covered Bonds do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Covered Bond exchangeable for Permanent Global Covered Bond

If the relevant Final Terms specifies the form of Covered Bonds as being "Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond", then the Covered Bonds will initially be in the form of a Temporary Global Covered Bond which will be exchangeable, in whole or in part, for interests in a Permanent Global Covered Bond, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Covered Bonds upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Covered Bond unless exchange for interests in the Permanent Global Covered Bond is improperly withheld or refused. In addition, interest payments in respect of the Covered Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Covered Bond is to be exchanged for an interest in a Permanent Global Covered Bond, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Covered Bond to the bearer of the Temporary Global Covered Bond or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Covered Bond in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Covered Bond to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Covered Bonds represented by the Permanent Global Covered Bond shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership *provided, however*, that in no circumstances shall the principal amount of Covered Bonds represented by the Permanent Global Covered Bond exceed the initial principal amount of Covered Bonds represented by the Temporary Global Covered Bond.

If:

- (i) the Permanent Global Covered Bond has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Covered Bond has requested exchange of an interest in the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond; or
- (ii) the Temporary Global Covered Bond (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Covered Bonds or the date for final redemption of the Temporary Global Covered Bond has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Covered Bond in accordance with the terms of the Temporary Global Covered Bond on the due date for payment,

then the Temporary Global Covered Bond (including the obligation to deliver a Permanent Global Covered Bond) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the bearer of the Temporary Global Covered Bond will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Covered Bond or others may have under the Deed of Covenant).

The Permanent Global Covered Bond will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Covered Bond, for Bearer Covered Bonds in definitive form ("**Definitive Covered Bonds**"):

- (i) on the expiry of such period of notice as may be specified in the Final Terms; or
- (ii) at any time, if so specified in the Final Terms; or
- (iii) if the Final Terms specifies "in the limited circumstances described in the Permanent Global Covered Bond", then if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

Whenever the Permanent Global Covered Bond is to be exchanged for Definitive Covered Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Covered Bonds, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Covered Bonds represented by the Permanent Global Covered Bond to the bearer of the Permanent Global Covered Bond against the surrender of the Permanent Global Covered Bond to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (i) Definitive Covered Bonds have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Covered Bond for Definitive Covered Bonds; or
- (ii) the Permanent Global Covered Bond was originally issued in exchange for part only of a Temporary Global Covered Bond representing the Covered Bonds and such Temporary Global Covered Bond becomes void in accordance with its terms; or
- (iii) the Permanent Global Covered Bond (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Covered Bonds or the date for final redemption of the Permanent Global Covered Bond has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Covered Bond on the due date for payment,

then the Permanent Global Covered Bond (including the obligation to deliver Definitive Covered Bonds) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Covered Bond becomes void (in the case of (iii) above) or at 5.00 p.m. (London time) on such due date ((iii) above) and the bearer of the Permanent Global Covered Bond will have no further rights thereunder (but without prejudice to the

rights which the bearer of the Permanent Global Covered Bond or others may have under the Deed of Covenant).

Temporary Global Covered Bond exchangeable for Definitive Covered Bonds

If the relevant Final Terms specifies the form of Covered Bonds as being "Temporary Global Covered Bond exchangeable for Definitive Covered Bonds" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Covered Bonds will initially be in the form of a Temporary Global Covered Bond which will be exchangeable, in whole but not in part, for Definitive Covered Bonds not earlier than 40 days after the issue date of the relevant Tranche of the Covered Bonds.

If the relevant Final Terms specifies the form of Covered Bonds as being "Temporary Global Covered Bond exchangeable for Definitive Covered Bonds" and also specifies that the TEFRA D Rules are applicable, then the Covered Bonds will initially be in the form of a Temporary Global Covered Bond which will be exchangeable, in whole or in part, for Definitive Covered Bonds not earlier than 40 days after the issue date of the relevant Tranche of the Covered Bonds upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Covered Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Covered Bond is to be exchanged for Definitive Covered Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Covered Bonds, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Covered Bond to the bearer of the Temporary Global Covered Bond against the surrender of the Temporary Global Covered Bond to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (i) Definitive Covered Bonds have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Covered Bond for Definitive Covered Bonds; or
- (ii) the Temporary Global Covered Bond (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Covered Bonds or the date for final redemption of the Temporary Global Covered Bond has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Covered Bond on the due date for payment,

then the Temporary Global Covered Bond (including the obligation to deliver Definitive Covered Bonds) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the bearer of the Temporary Global Covered Bond will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Covered Bond or others may have under the Deed of Covenant).

Permanent Global Covered Bond exchangeable for Definitive Covered Bonds

If the relevant Final Terms specifies the form of Covered Bonds as being "Permanent Global Covered Bond exchangeable for Definitive Covered Bonds", then the Covered Bonds will initially be in the form of a Permanent Global Covered Bond which will be exchangeable in whole, but not in part, for Definitive Covered Bonds:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Covered Bond", then if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

Whenever the Permanent Global Covered Bond is to be exchanged for Definitive Covered Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Covered Bonds, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Covered Bonds represented by the Permanent Global Covered Bond to the bearer of the Permanent Global Covered Bond against the surrender of the Permanent Global Covered Bond to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (i) Definitive Covered Bonds have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Covered Bond for Definitive Covered Bonds; or
- (ii) the Permanent Global Covered Bond (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Covered Bonds or the date for final redemption of the Permanent Global Covered Bond has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Covered Bond on the due date for payment,

then the Permanent Global Covered Bond (including the obligation to deliver Definitive Covered Bonds) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in case of (ii)) and the bearer of the Permanent Global Covered Bond will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Covered Bond or others may have under the Deed of Covenant).

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Covered Bond or a Permanent Global Covered Bond which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Covered Bond or Permanent Global Covered Bond became void, they had been the holders of Definitive Covered Bonds in an aggregate principal amount equal to the principal amount of Covered Bonds they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Covered Bonds

The terms and conditions applicable to any Definitive Covered Bond will be endorsed on that Covered Bond and will consist of the terms and conditions set out under "*Terms and Conditions of the Covered Bonds*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Covered Bond in global form will differ from those terms and conditions which would apply to the Covered Bond were it in definitive form to the extent described under "*Summary of Provisions Relating to the Covered Bonds while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Covered Bonds having a maturity of more than 365 days, the Covered Bonds in global form, the Covered Bonds in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Registered Covered Bonds

Each Tranche of Registered Covered Bonds will be in the form of either individual covered bond certificates in registered form ("**Individual Covered Bond Certificates**") or a global covered bond in

registered form (a "**Global Registered Covered Bond**"), in each case as specified in the relevant Final Terms.

Each Global Registered Covered Bond will either be: (a) in the case of a Covered Bond which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Covered Bond will be deposited on or about the issue date with the common depository and will be exchangeable in accordance with its terms; or (b) in the case of a Covered Bond to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Covered Bond will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Covered Bond Certificates in accordance with its terms.

If the relevant Final Terms specifies the form of Covered Bonds as being "Individual Covered Bond Certificates", then the Covered Bonds will at all times be in the form of Individual Covered Bond Certificates issued to each Covered Bondholder in respect of their respective holdings.

If the relevant Final Terms specifies the form of Covered Bonds as being "Global Registered Covered Bond exchangeable for Individual Covered Bond Certificates", then the Covered Bonds will initially be in the form of a Global Registered Covered Bond which will be exchangeable in whole, but not in part, for Individual Covered Bond Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Covered Bond", then if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

Whenever the Global Registered Covered Bond is to be exchanged for Individual Covered Bond Certificates, the Issuer shall procure that Individual Covered Bond Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Covered Bond within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Covered Bond to the Registrar of such information as is required to complete and deliver such Individual Covered Bond Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Covered Bond Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Covered Bond at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Covered Bonds scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (i) Individual Covered Bond Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Covered Bond; or
- (ii) any of the Covered Bonds represented by a Global Registered Covered Bond (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Covered Bonds or the date for final redemption of the Covered Bonds has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Covered Bond in accordance with the terms of the Global Registered Covered Bond on the due date for payment,

then the Global Registered Covered Bond (including the obligation to deliver Individual Covered Bond Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the holder of the Global Registered Covered Bond will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Covered Bond or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Covered Bond will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Covered Bond became void, they had been the holders of Individual Covered Bond Certificates in an aggregate principal amount equal to the principal amount of Covered Bonds they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Covered Bonds

The terms and conditions applicable to any Individual Covered Bond Certificate will be endorsed on that Individual Covered Bond Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Covered Bonds*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Covered Bond will differ from those terms and conditions which would apply to the Covered Bond were it in definitive form to the extent described under "*Summary of Provisions Relating to the Covered Bonds while in Global Form*" below.

TERMS AND CONDITIONS OF THE COVERED BONDS

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Covered Bond in definitive form issued under the Programme. In the case of any Tranche of Covered Bonds which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus.

The terms and conditions applicable to any Covered Bond in global form will differ from those terms and conditions which would apply to the Covered Bond were it in definitive form to the extent described under "Summary of Provisions Relating to the Covered Bonds while in Global Form" above.

1. Introduction

- (a) *Programme:* Sp Mortgage Bank Plc (the "**Issuer**") has established a Covered Bond Programme (the "**Programme**") for the issuance of up to EUR 3,000,000,000 in aggregate principal amount of Covered Bonds (the "**Covered Bonds**") under the Finnish Covered Bond Act (688/2010, as amended) (in Finnish *laki kiinnitysluottopankkitoiminnasta*) (the "**CBA**").
- (b) *Final Terms:* Covered Bonds issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Covered Bonds. Each Tranche is the subject of a final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Covered Bonds are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Covered Bonds are the subject of a fiscal agency agreement dated 14 November 2016 (the "**Agency Agreement**") between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Covered Bonds), BNP Paribas Securities Services, Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Covered Bonds), the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Covered Bonds) and the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Covered Bonds). In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.
- (d) *Deed of Covenant:* The Covered Bonds may be issued in bearer form ("**Bearer Covered Bonds**"), or in registered form ("**Registered Covered Bonds**"). Registered Covered Bonds are constituted by a deed of covenant dated 14 November 2016 (the "**Deed of Covenant**") entered into by the Issuer.
- (e) *The Covered Bonds:* All subsequent references in these Conditions to "Covered Bonds" are to the Covered Bonds which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the specified office of the Fiscal Agent.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. Covered Bondholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Covered Bondholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

(a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Amalgamation**" means (a) The Union Co-op, (b) the companies belonging to the Union Co-op's consolidation group, (c) the Savings Banks, Central Bank of Savings Banks Finland Plc and the Issuer, (d) the companies belonging to the Savings Banks' consolidation groups, as well as (e) such credit institutions, finance institutions and service companies where the institutions in (a) to (d) combined own more than half of the voting rights;

"**Amalgamation Act**" means the Act on the Amalgamation of Deposit Banks (599/2010, as amended) (in Finnish *laki talletuspankkien yhteenliittymästä*);

"**Business Day**" means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

- (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**CIBOR**" means, in respect of Danish Kroner and for any specified period, the interest rate benchmark known as the Copenhagen interbank offered rate which is calculated and published by a designated distributor (currently NASDAQ Copenhagen) in accordance with the requirements from time to time of the Danish Bankers' Association based on estimated interbank borrowing rates for Danish Kroner for a number of designated maturities which are provided by a panel of contributor banks (details of historic CIBOR rates can be obtained from the designated distributor);

"**Coupon Sheet**" means, in respect of a Covered Bond, a coupon sheet relating to the Covered Bond;

"**Covered Bondholder**", in the case of Bearer Covered Bonds, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Covered Bonds*) and, in the case of Registered Covered Bonds, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Covered Bonds*);

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30";

- (f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

- (g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Covered Bond, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Covered Bond, its principal amount or such other amount as may be specified in these Conditions or the relevant Final Terms;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Eurozone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Extended Maturity Date**" has the meaning given in the relevant Final Terms;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Covered Bond, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Interest Amount**" means, in relation to a Covered Bond and an Interest Period, the amount of interest payable in respect of that Covered Bond for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Covered Bonds of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" has the meaning given in the relevant Final Terms;

"LIBOR" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other Person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

"Make Whole Redemption Price" has the meaning given in the relevant Final Terms;

"Margin" has the meaning given in the relevant Final Terms;

"Maturity Date" has the meaning given in the relevant Final Terms;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

"NIBOR" means, in respect of Norwegian Kroner and for any specified period, the interest rate benchmark known as the Norwegian interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Norwegian association for banks, insurance companies and financial institutions, Finance Norway – FNO based on estimated interbank borrowing rates for Norwegian Kroner for a number of designated maturities which are provided by a panel of contributor banks (details of historic NIBOR rates can be obtained from the designated distributor);

"Optional Redemption Amount (Call)" means, in respect of any Covered Bond, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Optional Redemption Amount (Put)" means, in respect of any Covered Bond, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"Participating Member State" means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

"Payment Business Day" means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Covered Bondholder wanting to exercise a right to redeem a Covered Bond at the option of the Covered Bondholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Covered Bondholder upon deposit of a Covered Bond with such Paying Agent by any Covered Bondholder wanting to exercise a right to redeem a Covered Bond at the option of the Covered Bondholder;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Covered Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" means CIBOR, EURIBOR, LIBOR, NIBOR or STIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

"Register" has the meaning given in the Agency Agreement;

"Regular Period" means:

- (a) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Covered Bondholders;

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Time" has the meaning given in the relevant Final Terms;

"Reserved Matter" means any proposal to change any date fixed for payment of principal or interest in respect of the Covered Bonds, to reduce the amount of principal or interest payable on any date in respect of the Covered Bonds, to alter the method of calculating the amount of any payment in respect of the Covered Bonds or the date for any such payment, to change the currency of any payment under the Covered Bonds or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"Savings Bank" means any of the savings banks which are member credit institutions of the Amalgamation;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Specified Currency" has the meaning given in the relevant Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms;

"Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Final Terms;

"**STIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Stockholm interbank offered rate which is calculated and published by a designated distributor (currently the Swedish Bankers' Association) in accordance with the requirements from time to time of the Swedish Bankers' Association (or any other Person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic STIBOR rates can be obtained from the designated distributor);

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty of the Functioning of the European Union, as amended;

"**Union Co-op**" means the Savings Banks' Union Coop, the central institution of the Amalgamation; and

"**Zero Coupon Covered Bond**" means a Covered Bond specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Covered Bonds are Zero Coupon Covered Bonds, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Covered Bonds at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Covered Bonds at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Covered Bond and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Covered Bonds being "outstanding" shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies

that such expression is "not applicable" then such expression is not applicable to the Covered Bonds; and

- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Covered Bonds.

3. **Form, Denomination, Title and Transfer**

- (a) *Bearer Covered Bonds:* Bearer Covered Bonds are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Covered Bonds with more than one Specified Denomination, Bearer Covered Bonds of one Specified Denomination will not be exchangeable for Bearer Covered Bonds of another Specified Denomination.
- (b) *Title to Bearer Covered Bonds:* Title to Bearer Covered Bonds and the Coupons will pass by delivery. In the case of Bearer Covered Bonds, "**Covered Bondholder**" means the holder of such Bearer Covered and "**Couponholder**" shall be construed accordingly.
- (c) *Registered Covered Bonds:* Registered Covered Bonds are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- (d) *Title to Registered Covered Bonds:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Covered Bond Certificate**") will be issued to each Covered Bondholder of Registered Covered Bonds in respect of its registered holding. Each Covered Bond Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Covered Bonds, "**Covered Bondholder**" means the person in whose name such Registered Covered Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof).
- (e) *Ownership:* The Covered Bondholder of any Covered Bond or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Covered Bonds, on the Covered Bond Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Covered Bondholder. No person shall have any right to enforce any term or condition of any Covered Bond under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Covered Bonds:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Covered Bond may be transferred upon surrender of the relevant Covered Bond Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Covered Bond may not be transferred unless the principal amount of Registered Covered Bonds transferred and (where not all of the Registered Covered Bonds held by a Covered Bondholder are being transferred) the principal amount of the balance of Registered Covered Bonds not transferred are Specified Denominations. Where not all the Registered Covered Bonds represented by the surrendered Covered Bond Certificate are the subject of the transfer, a new Covered Bond Certificate in respect of the balance of the Registered Covered Bonds will be issued to the transferor.
- (g) *Registration and delivery of Covered Bond Certificates:* Within five business days of the surrender of a Covered Bond Certificate in accordance with paragraph (f) (*Transfers of Registered Covered Bonds*) above, the Registrar will register the transfer in question and deliver a new Covered Bond Certificate of a like principal amount to the Registered Covered Bonds transferred to each relevant Covered Bondholder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant

Covered Bondholder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Covered Bondholder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

- (h) *No charge:* The transfer of a Registered Covered Bond will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity by the Covered Bondholder or the transferee thereof as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Covered Bondholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Covered Bonds.
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Covered Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Covered Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Covered Bondholder who requests in writing a copy of such regulations.

4. **Status**

Status of the Covered Bonds: The Covered Bonds of each Series constitute unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The Covered Bonds are obligations issued in accordance with the CBA and rank *pari passu* among themselves and with Derivative Transactions and Bankruptcy Liquidity Loans and any N-Bonds issued in respect of the statutory security in accordance with the CBA. To the extent that claims in relation to the Covered Bonds are not met out of the assets of the Issuer that are covered in accordance with the CBA, the residual claims will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

For the purposes of this Condition 4 (*Status*):

"**Derivative Transactions**" means derivative transactions entered into by the Issuer to hedge against risks relating to Covered Bonds or their underlying collateral and recorded, in accordance with the CBA, in the register of Covered Bonds; and

"**Bankruptcy Liquidity Loans**" means loans made by the bankruptcy administrator of the Issuer to secure liquidity or take out liquidity credit in accordance with Section 26 of the CBA and recorded, in accordance with the CBA, in the register of Covered Bonds.

5. **Fixed Rate Covered Bond Provisions**

- (a) *Application:* This Condition 5 (*Fixed Rate Covered Bond Provisions*) is applicable to the Covered Bonds only if the Fixed Rate Covered Bond Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 9 (*Payments – Bearer Covered Bonds*). Each Covered Bond will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Fixed Rate Covered Bond Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Fiscal Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

6. Floating Rate Covered Bond Provisions

- (a) *Application:* This Condition 6 (*Floating Rate Covered Bond Provisions*) is applicable to the Covered Bonds only if the Floating Rate Covered Bond Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 9 (*Payments – Bearer Covered Bonds*). Each Covered Bond will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6(b) (*Accrual of interest*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Fiscal Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period; **provided, however, that** if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;
 - (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on

the relevant Interest Determination Date (and if five or more of such Reference Rates are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations);

- (iv) if, in the case of paragraph (i) above, such rate does not appear on that page or, in the case of paragraph (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Issuer will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
 - (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

- (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Covered Bondholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.
- (h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents, the Covered Bondholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (i) *Extended Maturity Date:* If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 8(j) (*Extension of maturity up to Extended Maturity Date*):
 - (i) such Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full and the Extended Maturity Date. Interest shall be payable on such Covered Bonds at the rate specified in the applicable Final Terms on the principal amount outstanding of the Covered Bonds in arrear on each

monthly Interest Payment Date after the Maturity Date in respect of the interest period beginning on (and including) the Maturity Date and ending on (but excluding) the first Interest Payment Date after the Maturity Date and each subsequent interest period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. The final Interest Payment Date shall fall no later than the Extended Maturity Date;

- (ii) the rate of interest payable from time to time under Condition 6(i)(i) will be as specified in the applicable Final Terms and, where applicable, determined by the Calculation Agent, three Business Days after the Maturity Date in respect of the first such interest period and thereafter as specified in the applicable Final Terms; and
- (iii) in the case of a Series of Zero Coupon Covered Bonds up to (and including) the Maturity Date, for the purposes of this Condition 6(i) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.

7. **Zero Coupon Covered Bond Provisions**

- (a) *Application:* This Condition 7 (*Zero Coupon Covered Bond Provisions*) is applicable to the Covered Bonds only if the Zero Coupon Covered Bond Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Covered Bonds:* If the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Fiscal Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

8. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Covered Bonds will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 9 (*Payments – Bearer Covered Bonds*).
- (b) *Redemption for tax reasons:* The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (unless the Floating Rate Covered Bond Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Covered Bond Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Covered Bondholders, or such other period(s) as may be specified in the relevant Final Terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Finland or any political subdivision or any authority thereof or therein having power to tax, or

any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Covered Bonds; and

- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Covered Bonds may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or
- (2) where the Covered Bonds may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Final Terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 8(b), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 8(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Covered Bondholders, or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds or, as the case may be, the Covered Bonds specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the relevant Final Terms as being applicable. The Optional Redemption Amount (Call) will be either, as specified in the relevant Final Terms, (i) if Make Whole Redemption Price is specified as being applicable in the applicable Final Terms, the relevant Make Whole Redemption Price or (ii) the specified percentage (being no less than 100 per cent.) of the nominal amount of the Covered Bonds as stated in the applicable Final Terms.

The Make Whole Redemption Price will be an amount equal to the higher of:

- (i) if Spens Amount is specified as being applicable in the applicable Final Terms, (i) 100 per cent. of the nominal amount outstanding of the Covered Bonds to be redeemed or (ii) the nominal amount outstanding of the Covered Bonds to be redeemed multiplied by the price, as reported to the Issuer and the relevant Dealer(s) by the Determination Agent, at which the Gross Redemption Yield on such Covered Bonds on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time on the Reference Date of the Reference Bond, plus the Redemption Margin; or

- (ii) if Make Whole Redemption Amount is specified as applicable in the applicable Final Terms, (i) 100 per cent. of the nominal amount outstanding of the Covered Bonds to be redeemed and (ii) the sum of the present values of the nominal amount outstanding of the Covered Bonds to be redeemed and the Remaining Term Interest on such Covered Bonds (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin,

all as determined by the Determination Agent.

In this Condition 8(c):

"DA Selected Bond" means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term of the Covered Bonds, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term of the Covered Bonds;

"Determination Agent" means an investment bank or financial institution of international standing selected by the Issuer after consultation with the relevant Dealer(s) as may be specified in the relevant Final Terms;

"Gross Redemption Yield" means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts"; "Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the relevant Dealer(s) may approve;

"Quotation Time" shall be as set out in the applicable Final Terms;

"Redemption Margin" shall be as set out in the applicable Final Terms;

"Reference Bond" shall be as set out in the applicable Final Terms or the DA Selected Bond;

"Reference Bond Price" means, with respect to any date of redemption, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

"Reference Bond Rate" means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

"Reference Date" will be set out in the relevant notice of redemption;

"Reference Government Bond Dealer" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and any date of redemption, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer; and

"Remaining Term Interest" means, with respect to any Covered Bond, the aggregate amount of scheduled payment(s) of interest on such Covered Bond for the remaining term of such Covered Bond determined on the basis of the rate of interest applicable to such Covered Bond from and including the date on which such Covered Bond is to be redeemed by the Issuer pursuant to this Condition 8(c).

- (d) *Partial redemption:* If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 8(c) (*Redemption at the option of the Issuer*), in the case of Bearer Covered Bonds, the Covered Bonds to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation and the notice to Covered Bondholders referred to in Condition 8(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Covered Bonds so to be redeemed, and, in the case of Registered Covered Bonds, each Covered Bond shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Covered Bonds to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Covered Bonds on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Covered Bondholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Covered Bondholder of any Covered Bond redeem such Covered Bond on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 8(e), the Covered Bondholder of a Covered Bond must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Final Terms), deposit with any Paying Agent such Covered Bond together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Covered Bond is so deposited shall deliver a duly completed Put Option Receipt to the depositing Covered Bondholder. No Covered Bond, once deposited with a duly completed Put Option Notice in accordance with this Condition 8(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Covered Bond becomes immediately due and payable or, upon due presentation of any such Covered Bond on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Covered Bondholder at such address as may have been given by such Covered Bondholder in the relevant Put Option Notice and shall hold such Covered Bond at its Specified Office for collection by the depositing Covered Bondholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bond is held by a Paying Agent in accordance with this Condition 8(e), the depositor of such Covered Bond and not such Paying Agent shall be deemed to be the Covered Bondholder of such Covered Bond for all purposes.
- (f) *No other redemption:* The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in paragraphs (a) to (e) above.
- (g) *Early redemption of Zero Coupon Covered Bonds:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Covered Bond at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Covered Bond becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase:* The Issuer may at any time purchase Covered Bonds, **provided that** all unmatured Coupons are purchased therewith, in the open market or otherwise and at any price.
- (i) *Cancellation:* All Covered Bonds so redeemed or purchased by the Issuer and any unmatured Coupons attached to or surrendered with them shall be cancelled (by being surrendered to a Paying Agent for cancellation) and may not be reissued or resold.
- (j) *Extension of maturity up to Extended Maturity Date:*
 - (i) An Extended Maturity Date may be specified in the applicable Final Terms as applying to the relevant Series of Covered Bonds.
 - (ii) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date or within three Business Days thereafter, the maturity of the outstanding Series of Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Conditions will be automatically extended up to but no later than the Extended Maturity Date. In that event, the Issuer may redeem all or any part of the principal amount outstanding of such Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date. The Issuer shall give notice to the Covered Bondholders of the Series of Covered Bonds (in accordance with Condition 17 (*Notices*)) and the Paying Agents of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date or, as applicable, the Extended Maturity Date, or give rise to rights to any such person.
 - (iii) In the case of a Series of Zero Coupon Covered Bonds up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 8(j) the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.
 - (iv) Any extension of the maturity of a Series of Covered Bonds under this Condition 8(j) shall be irrevocable. Where this Condition 8(j) applies, any failure to redeem the relevant Covered Bonds on the Maturity Date or any extension of the maturity of such Covered Bonds under this Condition 8(j), shall not constitute a default, an event of default or acceleration of payment or other similar condition or event (however described) for any purpose or give any Covered Bondholder any right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Conditions.
 - (v) In the event of the extension of the maturity of a Series of Covered Bonds under this Condition 8(j), rates of interest, interest periods and interest payment dates on such Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 6(i) (*Extended Maturity Date*).
 - (vi) If the Issuer redeems part and not all of the principal amount outstanding of such Series of Covered Bonds on any Interest Payment Date falling after the Maturity Date, the redemption proceeds shall be applied rateably across such Covered Bonds and the principal amount outstanding on the Covered Bonds shall be reduced by the level of that redemption.

- (vii) If the maturity of any Series of Covered Bonds is extended up to the Extended Maturity Date in accordance with this Condition 8(j) for so long as any of those Covered Bonds remains outstanding, the Issuer shall not issue any further Series of Covered Bonds, unless the proceeds of issue of such further Series of Covered Bonds are applied by the Issuer on issue to redeem in whole or in part the relevant Covered Bonds in accordance with the terms hereof.

9. **Payments – Bearer Covered Bonds**

This Condition 9 is only applicable to Bearer Covered Bonds.

- (a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Covered Bonds at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Covered Bonds in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Covered Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Covered Bondholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Covered Bond Provisions are applicable and a Bearer Covered Bond is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph

would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 9(f) is applicable or that the Floating Rate Covered Bond Provisions are applicable, on the due date for final redemption of any Covered Bond or early redemption in whole of such Covered Bond pursuant to Condition 8(b) (*Redemption for tax reasons*), Condition 8(e) (*Redemption at the option of Covered Bondholders*) or Condition 8(c) (*Redemption at the option of the Issuer*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Bearer Covered Bond or Coupon is not a Payment Business Day in the place of presentation, the Covered Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Covered Bonds at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) (*Payments in New York City*) above).
- (i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bearer Covered Bond or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Covered Bonds, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 12 (*Prescription*)). Upon the due date for redemption of any Bearer Covered Bond, any unexchanged Talon relating to such Covered Bond shall become void and no Coupon will be delivered in respect of such Talon.

10. **Payments – Registered Covered Bonds**

This Condition 10 is only applicable to Registered Covered Bonds.

- (a) *Principal*: Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Covered Bondholder of a Registered Covered Bond to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Covered Bond Certificates at the Specified Office of any Paying Agent.

- (b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Covered Bondholder of a Registered Covered Bond to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Covered Bond Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Covered Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Covered Bondholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Covered Bond Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Covered Bondholder of a Registered Covered Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 10 arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Covered Bond, the Issuer shall procure that the amount and date of such payment are Covered Bond on the Register and, in the case of partial payment upon presentation of a Covered Bond Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Covered Bond Certificate.
- (f) *Record date:* Each payment in respect of a Registered Covered Bond will be made to the person shown as the Covered Bondholder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Covered Bond is to be made by cheque, the cheque will be mailed to the address shown as the address of the Covered Bondholder in the Register at the opening of business on the relevant Record Date.

11. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Covered Bonds and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Finland or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Covered Bondholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond or Coupon:

- (i) held by or on behalf of a Covered Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Covered Bond or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Covered Bond or Coupon; or
 - (ii) where the relevant Covered Bond or Coupon or Covered Bond Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Covered Bondholder of such Covered Bond or Coupon would have been entitled to such additional amounts on presenting or surrendering such Covered Bond or Coupon or Covered Bond Certificate for payment on the last day of such period of 30 days.
- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Finland, references in these Conditions to the Republic of Finland shall be construed as references to the Republic of Finland and/or such other jurisdiction.

12. **Prescription**

Claims for principal in respect of Bearer Covered Bonds shall become void unless the relevant Bearer Covered Bonds are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Covered Bonds shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Covered Bonds shall become void unless the relevant Covered Bond Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

13. **Replacement of Covered Bonds and Coupons**

If any Covered Bond, Covered Bond Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Covered Bonds, or the Registrar, in the case of Registered Covered Bonds (and, if the Covered Bonds are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Covered Bond Certificates or Coupons must be surrendered before replacements will be issued.

14. **Agents**

In acting under the Agency Agreement and in connection with the Covered Bonds and the Coupons, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent and additional or successor paying agents; **provided, however, that:**

- (a) the Issuer shall at all times maintain a fiscal agent and a registrar; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Covered Bondholders.

15. **Meetings of Covered Bondholders; Modification and Waiver**

- (a) *Meetings of Covered Bondholders:* The Agency Agreement contains provisions for convening meetings of Covered Bondholders to consider matters relating to the Covered Bonds, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Covered Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Covered Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Covered Bonds or, at any adjourned meeting, two or more Persons being or representing Covered Bondholders whatever the principal amount of the Covered Bonds held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Covered Bondholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Covered Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Covered Bondholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Covered Bondholders who for the time being are entitled to receive notice of a meeting of Covered Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Covered Bondholders.

- (b) *Modification:* The Covered Bonds, these Conditions and the Deed of Covenant may be amended without the consent of the Covered Bondholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Covered Bondholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Covered Bondholders.

16. **Further Issues**

The Issuer may from time to time, without the consent of the Covered Bondholders or the Couponholders, create and issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

17. **Notices**

- (a) *Bearer Covered Bonds:* Notices to the Covered Bondholders of Bearer Covered Bonds shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Covered Bonds are for the time being listed or by which they have been admitted to trading. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Covered Bondholders of Bearer Covered Bonds.
- (b) *Registered Covered Bonds:* Notices to the Covered Bondholders of Registered Covered Bonds shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a

leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

18. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (ii) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (iii) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (iv) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

19. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Covered Bonds and any non-contractual obligations arising out of or in connection with the Covered Bonds are governed by English law except for the provisions relating to coverage and registration of the Covered Bonds and the Coupons pursuant to the CBA, which shall be governed by Finnish law.
- (b) *English courts:* The courts of England have non-exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Covered Bonds (including any non-contractual obligation arising out of or in connection with the Covered Bonds).
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Covered Bondholders to take proceedings outside England:* Notwithstanding Condition 19(b) (*English courts*), any Covered Bondholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Covered Bondholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London, EC2V 7EX, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Covered Bondholders. Nothing in this paragraph shall affect the right of any Covered Bondholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FORM OF FINAL TERMS

Final Terms dated [•]

SP MORTGAGE BANK PLC

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]
Covered Bond Programme

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Covered Bonds are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II") or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

PART A – CONTRACTUAL TERMS

[[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [•] 2016 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. [This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]]¹. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing during normal business hours at the offices of BNP Paribas Securities Services, Luxembourg Branch, 60 avenue J.F. Kennedy, L1855 Luxembourg and on the Issuer's website www.saastopankki.fi/debtinvestors and www.ise.ie/ and copies may be obtained from the registered office of Sp Mortgage Bank Plc at Teollisuuskatu 33, 00510 Helsinki, Finland.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and include any relevant implementing measure in the relevant Member State.

- | | | |
|----|--|-----------------------|
| 1. | Issuer: | Sp Mortgage Bank Plc |
| 2. | (i) Series Number: | [•] |
| | (ii) Tranche Number: | [•] |
| | (iii) Date on which the Covered Bonds become fungible: | [Not Applicable]/ [•] |
| 3. | Specified Currency or Currencies: | [•] |
| 4. | Aggregate Nominal Amount: | [•] |

¹ Delete where the Covered Bonds are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

- [(i)] Series: [•]
- [(ii)] Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]
6. (i) Specified Denominations: [•] [and integral multiples of EUR 1,000 in excess thereof up to and including [•]. No Definitive Covered Bonds will be issued with a denomination above [•].]
- (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [[•]/Issue Date/Not Applicable]
8. (i) Maturity Date: [•]
- (ii) Extended Maturity Date: [•]/[Not Applicable]
9. Interest Basis: [[•] per cent. Fixed Rate]
- [CIBOR]/[EURIBOR]/[LIBOR]/[NIBOR]/[STIBOR]
- +/- [•] per cent. Floating Rate]
- [Zero Coupon]
- (see paragraph [14/15/16] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
11. Change of Interest or Redemption/Payment Basis: [[•]/Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[Not Applicable]
- [See paragraph [17/18/19] below)]
13. [(i)] Status of the Covered Bonds: [Senior]
- [(ii)] [Date [Board] approval for issuance of Covered Bonds obtained:] [•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Covered Bond Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) First Interest Payment Date: [•]

	(iii) Interest Payment Date(s):	[•] in each year
	(iv) Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(v) Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
	(vi) Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
15.	Floating Rate Covered Bond Provisions	[Applicable/Not Applicable]
		(If not applicable, delete the remaining subparagraphs of this paragraph)
	(i) Specified Period:	[•]
	(ii) Specified Interest Payment Dates:	[•]
	(iii) First Interest Payment Date:	[•]
	(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
	(v) Additional Business Centre(s):	[[•]/Not Applicable]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[[•]/Not Applicable]
	(viii) Screen Rate Determination:	
	• Reference Rate:	[CIBOR]/[EURIBOR]/[LIBOR]/[NIBOR]/[STIBOR]
	• Interest Determination Date(s):	[•]
	• Relevant Screen Page:	[•]
	• Relevant Time:	[•]
	• Relevant Financial Centre:	[•]
	(ix) ISDA Determination:	
	• Floating Rate Option:	[•]
	• Designated Maturity:	[•]
	• Reset Date:	[•]
	[• ISDA Definitions:	[2006]
	(x) Linear interpolation	[Applicable/Not Applicable]

• Rate of Interest:	the rate of interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation
(xi) Margin(s):	[+/-][•] per cent. per annum
(xii) Minimum Rate of Interest:	[•] per cent. per annum
(xiii) Maximum Rate of Interest:	[•] per cent. per annum
(xiv) Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
16. Zero Coupon Covered Bond Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
(i) Accrual Yield:	[•] per cent. per annum
(ii) Reference Price:	[•]
(iii) Day Count Fraction in relation to Early Redemption Amount:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE FROM THE MATURITY DATE TO THE EXTENDED MATURITY DATE

17. Fixed Rate Covered Bond Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
(i) Rate[(s)] of Interest:	[•] per cent. per annum payable in arrear on each Interest Payment Date
(ii) First Interest Payment Date:	[•]
(iii) Interest Payment Date(s):	[•] in each year
(iv) Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
(v) Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
(vi) Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
18. Floating Rate Covered Bond Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
(i) Specified Period:	[•]
(ii) Specified Interest Payment Dates:	[•]
(iii) First Interest Payment Date:	[•]

- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- (v) Additional Business Centre(s): [[.]/Not Applicable]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): [[.]/Not Applicable]
- (viii) Screen Rate Determination:
- Reference Rate: [CIBOR]/[EURIBOR]/[LIBOR]/[NIBOR]/[STIBOR]
 - Interest Determination Date(s): [.]
 - Relevant Screen Page: [.]
 - Relevant Time: [.]
 - Relevant Financial Centre: [.]
- (ix) ISDA Determination:
- Floating Rate Option: [.]
 - Designated Maturity: [.]
 - Reset Date: [.]
 - [.] ISDA Definitions: [2006]
- (x) Linear interpolation [Applicable/Not Applicable]
- Rate of Interest: the rate of interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation
- (xi) Margin(s): [+/-][.] per cent. per annum
- (xii) Minimum Rate of Interest: [.] per cent. per annum
- (xiii) Maximum Rate of Interest: [.] per cent. per annum
- (xiv) Day Count Fraction: [Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

19. Call Option [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): [.]
- (ii) Optional Redemption Amount(s): [.] per Calculation Amount/[.]

- (a) Reference Bond: [Insert applicable Reference Bond]
- (b) Quotation Time: [•]
- (c) Redemption Margin: [•] per cent.
- (d) Determination Date: [•]
- (e) Reference Dealers: [•]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount [•] per Calculation Amount
- (iv) Notice period: [•]
20. Put Option [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s): [•] per Calculation Amount/[•]
- (iii) Notice period: [•]
21. Final Redemption Amount of each Covered Bond [•] per Calculation Amount/[•]
22. Early Redemption Amount
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or other early redemption: [Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

23. Form of Covered Bonds: Bearer Covered Bonds:
- [Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Covered Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Covered Bond]
- [Temporary Global Covered Bond exchangeable for Definitive Covered Bonds on [•] days' notice]
- [Permanent Global Covered Bond exchangeable for Definitive Covered Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Covered Bond]
- Registered Covered Bonds:
- [Global Registered Covered Bond [(•) nominal amount)] registered in the name of a nominee for [a common depository for Euroclear and

Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS)) [exchangeable for Individual Covered Bond Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Registered Bond] / [Individual Covered Bond Certificates]

(N.B. The exchange upon notice/at any time/in the limited circumstances specified in the Permanent Global Covered Bond options should not be expressed to be applicable if the Specified Denomination of the Covered Bonds includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Covered Bonds which is to be represented on issue by a Permanent Bearer Global Covered Bonds exchangeable for Definitive Covered Bonds.)

- 24. [New Global Covered Bond/New Safekeeping Structure]: [Yes]/[No]/[Not Applicable]
- 25. Additional Financial Centre(s) or other special provisions relating to payment dates: [[•]/Not Applicable]
- 26. Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature): [Yes]/[No]

Signed on behalf of Sp Mortgage Bank Plc:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Admission to Trading: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the regulated market of the ISE with effect from [•]/[Not Applicable]
- (ii) Estimate of total expenses related to admission to trading: [•]

2. RATINGS

[The Covered Bonds to be issued will not be separately rated]

[The Covered Bonds to be issued are expected to be rated:

[•]: [•]]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer and its affiliates in the ordinary course of business [•]/[Not Applicable]]

4. [Fixed Rate Covered Bonds only – YIELD

Indication of yield: [•]

5. OPERATIONAL INFORMATION

ISIN Code: [•]

Common Code: [•]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [Not Applicable/*Names of additional Paying Agent(s)*]

[Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/
[No. Whilst the designation is specified as "no" at

the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper [[and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered Covered Bonds]]. Covered Bond that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

6. **DERIVATIVE TRANSACTIONS**

- Derivative Transaction applicable to [Yes/No]
issuance of Covered Bonds: (If "No" delete the remaining sub-paragraphs of this paragraph)
- (i) Type of Derivative Transaction: [Interest Rate Swap Transaction/Currency Swap Transaction]
 - (ii) Description of Derivative Transaction: [•]
 - (iii) Derivative Transaction as specific collateral for this issuance: [Yes/No]
 - (iv) Swap counterparty: [•]
 - (v) Collateral posting requirements: [•]

7. **DISTRIBUTION**

- (i) Method of Distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
 - (A) Names of Dealers [Not Applicable/[•]]
 - (B) Stabilisation Manager(s), if any: [Not Applicable/[•]]
- (iii) If non-syndicated, name of Dealer: [Not Applicable/[•]]
- (iv) U.S. Selling Restrictions: [Reg S Compliance Category [1/2]; TEFRA C/TEFRA D]
- (v) Prohibition of Sales to EEA Retail Investors [Applicable / Not Applicable]

8.

[THIRD PARTY INFORMATION]

[[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced inaccurate or misleading.]

SUMMARY OF PROVISIONS RELATING TO THE COVERED BONDS WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Covered Bonds represented by a Global Covered Bond in bearer form, references in the Terms and Conditions of the Covered Bonds to "Covered Bondholder" are references to the bearer of the relevant Global Covered Bond which, for so long as the Global Covered Bond is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGCB for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Covered Bonds represented by a Global Registered Covered Bond, references in the Terms and Conditions of the Covered Bonds to "Covered Bondholder" are references to the person in whose name such Global Registered Covered Bond is for the time being registered in the Register which, for so long as the Global Registered Covered Bond is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Covered Bond or a Global Registered Covered Bond (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Covered Bond or Global Registered Covered Bond and in relation to all other rights arising under such Global Covered Bond or Global Registered Covered Bond. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Covered Bond or Global Registered Covered Bond will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Covered Bonds are represented by a Global Covered Bond or Global Registered Covered Bond, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Covered Bonds and such obligations of the Issuer will be discharged by payment to the holder of such Global Covered Bond or Global Registered Covered Bond.

Exchange of Temporary Global Covered Bonds

Whenever any interest in a Temporary Global Covered Bond is to be exchanged for an interest in a Permanent Global Covered Bond, the Issuer shall procure:

- (i) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Covered Bond, duly authenticated and, in the case of an NGI, effectuated, to the bearer of the Temporary Global Covered Bond; or
- (ii) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Covered Bond in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Covered Bond to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Covered Bond is to be exchanged for Definitive Covered Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Covered Bonds, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Covered Bond to the bearer of the Temporary Global Covered Bond against the surrender of the Temporary Global Covered Bond to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (i) a Permanent Global Covered Bond has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Covered Bond has requested exchange of an interest in the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond; or
- (ii) Definitive Covered Bonds have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Covered Bond has requested exchange of the Temporary Global Covered Bond for Definitive Covered Bonds; or
- (iii) a Temporary Global Covered Bond (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Covered Bonds or the date for final redemption of a Temporary Global Covered Bond has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Covered Bond in accordance with the terms of the Temporary Global Covered Bond on the due date for payment,

then the Temporary Global Covered Bond (including the obligation to deliver a Permanent Global Covered Bond or increase the principal amount thereof or deliver Definitive Covered Bonds, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Covered Bond will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Covered Bond or others may have under a deed of covenant dated 14 November 2016 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Covered Bond will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Covered Bond became void, they had been the holders of Definitive Covered Bonds in an aggregate principal amount equal to the principal amount of Covered Bonds they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Covered Bonds

Whenever a Permanent Global Covered Bond is to be exchanged for Definitive Covered Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Covered Bonds, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Covered Bond to the bearer of the Permanent Global Covered Bond against the surrender of the Permanent Global Covered Bond to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (i) Definitive Covered Bonds have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Covered Bond has duly requested exchange of the Permanent Global Covered Bond for Definitive Covered Bonds; or
- (ii) a Permanent Global Covered Bond (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Covered Bonds or the date for final redemption of the Covered Bonds has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Covered Bond in accordance with the terms of the Permanent Global Covered Bond on the due date for payment,

then the Permanent Global Covered Bond (including the obligation to deliver Definitive Covered Bonds) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Covered Bond will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Covered Bond or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any

other relevant clearing system as being entitled to an interest in a Permanent Global Covered Bond will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Covered Bond became void, they had been the holders of Definitive Covered Bonds in an aggregate principal amount equal to the principal amount of Covered Bonds they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Covered Bonds

Each Global Covered Bond and Global Registered Covered Bond will contain provisions which modify the Terms and Conditions of the Covered Bonds as they apply to the Global Covered Bond or Global Registered Covered Bond. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Covered Bond or Global Registered Covered Bond which, according to the Terms and Conditions of the Covered Bonds, require presentation and/or surrender of a Covered Bond, Covered Bond Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Covered Bond or Global Registered Covered Bond to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Covered Bonds. On each occasion on which a payment of principal or interest is made in respect of the Global Covered Bond, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGCB the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: In the case of a Global Covered Bond, or a Global Registered Covered Bond, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Registered Covered Bond will be made to the person shown as the Covered Bondholder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Covered Bond is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 8(e) (*Redemption at the option of Covered Bondholders*) the bearer of the Permanent Global Covered Bond or the holder of a Global Registered Covered Bond must, within the period specified in the Conditions for the deposit of the relevant Covered Bond and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Covered Bonds in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 8(c) (*Redemption at the option of the Issuer*) in relation to some only of the Covered Bonds, the Permanent Global Covered Bond or Global Registered Covered Bond may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Covered Bonds to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 17 (*Notices*), while all the Covered Bonds are represented by a Permanent Global Covered Bond (or by a Permanent Global Covered Bond and/or a Temporary Global Covered Bond) or a Global Registered Covered Bond and the Permanent Global Covered Bond is (or the Permanent Global Covered Bond and/or the Temporary Global Covered Bond are), or the Global Registered Covered Bond is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Covered Bondholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to

have been given to the Covered Bondholders in accordance with Condition 17 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

USE OF PROCEEDS

The net proceeds from each issue of Covered Bonds will be applied by the Issuer towards funding its lending activities in accordance with the CBA, and the Issuer's general business principles as outlined below in "*Description of the Issuer*" including, without limitation, the origination of Mortgage Loans and Public-Sector Loans and the financing or refinancing of the acquisition of Mortgage Loans from other members of the Group.

DESCRIPTION OF THE ISSUER

History and Development of the Issuer

Sp Mortgage Bank Plc (the "**Issuer**") is organised under the laws of the Republic of Finland and regulated by the FIN-FSA. The Issuer's financial year is one calendar year. The Issuer was incorporated on 20 March 2015, is domiciled in Helsinki, Finland and registered in the Finnish Trade Register under business identity code 2685273-8. The Issuer's registered address is Teollisuuskatu 33, 00510 Helsinki, Finland and the telephone number of the registered office is +358 954 8051. The Issuer has no subsidiaries. The Issuer operates as a mortgage credit bank (*kiinnitysluottopankki*) under the CBA. On 21 March 2016, the ECB granted Sp-KLP Palvelu Oy the authorisation to act as a mortgage bank under the name Sp Mortgage Bank Plc. The mortgage bank operation was launched on 29 March 2016.

The role of the Issuer within the Savings Banks Group is, together with Central Bank of Savings Banks Finland Plc, to be responsible for obtaining funding for the Savings Banks Group from money and capital markets. The Issuer will be responsible for the Savings Banks Group's mortgage-secured funding by issuing covered bonds. The Issuer does not have independent customer business operations or a service network; instead, the Savings Banks that belong to the Amalgamation intermediate and sell residential mortgage loans for the Issuer. The Savings Banks also take care of the local customer relationship management.

The Issuer operates pursuant to the CBA, the Finnish Act on Amalgamation of Deposit Banks (*Laki talletuspankkien yhteenliittymästä 599/2010*, as amended) (the "**Amalgamation Act**"), the Finnish Act on Credit Institutions (*Laki luottolaitostoiminnasta 610/2014*, as amended) (the "**Credit Institution Act**") and the Finnish Companies Act (*Osakeyhtiölaki 624/2006*, as amended).

As at the date of this Base Prospectus, the Issuer's share capital is EUR 43,060,512 and it comprises of 64,559 shares. The Issuer is wholly owned by the Savings Banks.

The objects of the Issuer can be found in Article 2 of its Articles of Association. The objects of the Issuer are to engage in mortgage credit bank operations, as defined in the CBA. The Issuer does not provide investment services as defined in Chapter 1 Paragraph 11 of the Finnish Act on Investment Services (*Sijoituspalvelulaki 747/2012*, as amended).

The FIN-FSA supervises the Issuer's activities in accordance with Finnish law. As regards the supervision of the Issuer, the SSM commenced its operations in November 2014. The SSM is a system of financial supervision comprising the ECB and the national competent authorities of participating EU countries. Pursuant to the Credit Institution Act and Council Regulation (EU) No 1024/2013, the Issuer is currently classified as a less significant credit institution and, therefore, the supervision of the Issuer under the SSM is primarily carried out by the FIN-FSA. However, under the SSM, the ECB can decide to supervise any one of the less significant credit institutions directly to ensure that high supervisory standards are applied consistently.

Aktia Real Estate Mortgage Bank plc. used to provide financial services subject to the CBA through low-cost fund-raising for the Savings Banks that held 31.6 per cent. of the shares in Aktia Real Estate Mortgage Bank plc. The cooperation between the Savings Bank's and Aktia Real Estate Mortgage Bank plc. for wholesale funding ended in October 2012. The Group decided to establish its own mortgage bank (such mortgage bank being the Issuer) that is responsible for mortgage-secured funding by issuing covered bonds. The housing loans of Aktia Real Estate Mortgage Bank plc. which were intermediated by the Savings Banks were transferred to the balance sheets of the Savings Banks and to the Issuer by the end of May 2017. Part of the portfolio of Mortgage Loans intermediated by the Savings Banks was transferred through Mortgage Loan repurchases either directly to the balance sheet of the Issuer or first to the Savings Banks and then from the Savings Banks to the balance sheet of the Issuer, which was conducted on the basis of the terms and conditions of the Transfer Agreement (defined below).

The Union Co-op and Aktia Real Estate Mortgage Bank plc entered into a sale and purchase agreement on 15 January 2015 (the "**Transfer Agreement**"). The purchase of Mortgage Loans from Aktia Real Estate Mortgage Bank plc. by the Issuer was based on the terms and conditions of the Transfer Agreement. Pursuant to the Transfer Agreement, the recipient of the Mortgage Loans could be a Savings Bank that is a party to the Transfer Agreement or a Member Credit Institution appointed by the Savings Bank, including the Issuer.

Also, the transfers of Acquired Mortgage Loans from Aktia Real Estate Mortgage Bank plc. to the Originators and the Issuer were conducted in accordance with the terms and conditions of the Transfer Agreement.

The Transfer Agreement was in force with respect to each Savings Bank until the Mortgage Loans originated by the Savings Bank to Aktia Real Estate Mortgage Bank plc had been repaid in full or transferred to the Savings Bank or another entity appointed by the Savings Bank. The transfers of Mortgage Loans from Aktia Real Estate Mortgage Bank plc were completed by the end of May 2017.

In October 2015, the Savings Banks agreed to sell their minority share in Aktia Real Estate Mortgage Bank plc. to Aktia Bank p.l.c. and to approve the merger of Aktia Real Estate Mortgage Bank plc. with Aktia Bank p.l.c. The sale took place on 23 September 2016.

Funding

The Issuer will issue bonds. Mortgage Loans and Public Sector Loans originated by the Savings Banks for the Issuer or transferred by the Savings Banks to the Issuer's balance sheet will be used as collateral for the Covered Bonds in accordance with the CBA. Certain other securities authorised by the CBA may also be used as temporary supplementary collateral for the Covered Bonds, primarily either a deposit with Central Bank of Savings Banks Finland Plc or bonds issued by the State, a municipality or another public sector institution or a credit institution other than a member of the Group.

The Issuer does not implement structured issues. Also, the Issuer does not use the intermediate loan model (as described in the section of the Base Prospectus headed "*Covered Bond Act – Intermediary Loans*").

The Issuer may from time to time issue German law governed registered bonds (*Namenschuldverschreibungen*) ("**N-Bonds**") which will rank *pari passu* among themselves, with all Covered Bonds issued under the Programme, Derivative Transactions and Bankruptcy Liquidity Loans in relation to the Cover Pool (see "*Covered Bond Act*" section of this Prospectus). Any N-Bonds issued will be governed by, and construed in accordance with German law, except for the provisions relating to coverage of the Covered Bonds pursuant to the CBA which will be governed by, and construed in accordance with, Finnish law. N-Bonds will not be issued under this Programme. N-Bonds may be offered to and privately placed with professional investors only. Any N-Bonds issued will not be listed or admitted to trading on any stock exchange or market. Any N-Bonds issued will not be placed in a clearing system. N-Bonds will be in German law registered form in definitive, certified form. Sale and purchase of N-Bonds will take place through assignment and registration in the register kept by the registrar appointed by the Issuer (in relation to any N-Bonds) in relation to the holders of any N-Bonds ("**N-Bonds Register**"). Each person who is for the time being shown in the N-Bonds Register as the holder of a particular nominal amount of such N-Bonds may be treated as the holder of such nominal amount of such N-Bonds for all purposes.

Bond Register

The CBA requires the Issuer to maintain a bond register (the "**Register**") for the Covered Bonds and the collateral which forms the Cover Pool assets for the Covered Bonds. The actual entry of the Covered Bonds and relevant derivative contracts in the Register is necessary to confer the preferential right in the Cover Pool. Further, only assets entered into the register form part of the Cover Pool.

All Mortgage Loans and other Eligible Assets serving as collateral for the Covered Bonds are entered into the Register that the Issuer is required to maintain in relation to the Covered Bonds, pursuant to Chapter 5 of the CBA. The Register must list, amongst other things, the Covered Bonds and the Mortgage Loans, Public-Sector Loans and other Eligible Assets in the Cover Pool. According to Section 20 of the CBA, if certain collateral secures specific Covered Bonds, the Register shall indicate that such collateral is collateral for such Covered Bonds only. The Issuer's Cover Pool under this Programme may consist of Mortgage Loans transferred from the Savings Banks and Aktia Real Estate Mortgage Bank plc. pursuant to the Transfer Agreements and/or originated on the Issuer's behalf by the Savings Banks, and Public-Sector Loans. The Issuer's operational model controls the make-up of the Issuer's Cover Pool. The conditions of the agreements specified in this section may change from time to time.

The Cover Pool does not contain asset-backed securities that do not comply with paragraph 1 of Article 80 of the Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (recast). These asset-backed securities have never been included in the Bank's cover pool and the Bank does not intend to include such asset-backed securities in its cover pool in the future.

Summary of the Origination Agreements and Loan Approval Process

Origination agreements have been entered into between the Issuer and the Savings Banks setting the terms on which the Savings Banks administer Mortgage Loans originated on behalf of the Issuer. The Savings Banks are entitled to a fee for origination and administration of the Mortgage Loans on behalf of the Issuer. Such fee is determined based upon the interest rate of the relevant Mortgage Loan. All Origination Agreements between the Issuer and the Savings Banks are on the same terms and conditions.

The Savings Banks shall take all necessary measures to maintain, ensure and safeguard all claims and collateral in relation to the Mortgage Loans originated to the public. The originated Mortgage Loans shall always comply with the CBA, including the requirement that the Issuer shall always be collateralised by a first priority residential mortgage. However, if the value of the residential mortgage exceeds the entire principal of the Mortgage Loan, the excess value of the residential mortgage may be pledged to the Savings Bank's own other receivables with second priority.

The Savings Banks shall conduct origination of the Mortgage Loans according to the instructions given by the Issuer and the Savings Banks Group, which require, inter alia, that each Mortgage Loan and its related security as well as the nature and circumstances of the borrower satisfy the requirements of the CBA and the regulations made thereunder. Pursuant to the Origination Agreements, the Savings Banks are responsible for customer identification and due diligence and the prevention of money laundering and terrorist financing.

Under the Origination Agreements, the Issuer has the right to suspend the origination of new Mortgage Loans by the Savings Bank destined for the Issuer in circumstances where the Savings Bank does not comply with the instructions and rectify its erroneous behaviour without delay, after notified to do so by the Issuer, or where the Savings Banks solvency ratio falls below a certain threshold.

In the event that a Savings Bank has provided a Mortgage Loan against the relevant instructions of the Issuer in such a manner that the said Mortgage Loan cannot be utilised as collateral in the Issuer's Cover Pool, the Savings Bank shall pay to the Issuer an amount equal to the undisbursed amount of the principal of the Mortgage Loan, the interest accrued and a repayment fee. Such originated Mortgage Loan shall be transferred back to the Savings Bank by the Issuer.

In cases where a delay in repayment of an originated Mortgage Loan occurs to such extent that the Issuer is obliged to report the delay to relevant authorities and in its financial statements or interest of the Mortgage Loan cannot be recognised as revenue in the Issuer's accounts (a non-performing loan), the Savings Bank shall have the right to acquire such a Mortgage Loan within one month from the Issuer's notice thereof on terms specified in the relevant Origination Agreement.

Pursuant to the Origination Agreements, the Issuer is primarily responsible for financing the purchase of the Mortgage Loans. However, each Savings Bank has, upon the Issuer's request, an obligation to finance the Mortgage Loans originated from the Issuer's balance sheet to an amount that corresponds to (a) the Savings Bank's portion of the outstanding originated Mortgage Loans required to maintain the overcollateralisation level determined by the rating agencies for the Issuer's Covered Bonds and (b) the amount of such parts of the principal amounts of the originated Mortgage Loans which, in accordance with the CBA or the terms of the Programme, are not taken into account in the calculation of the collateral for the Covered Bonds.

Summary of the Service Agreements

The operations of the Issuer are mainly outsourced through service agreements ("**Service Agreements**") to companies belonging to the Amalgamation or companies providing services to the Amalgamation. The Issuer's own internal organisation only comprises the Board of Directors and the Chief Executive Officer ("**CEO**"). The operational organisation of the Issuer relies on the different organisations of the Amalgamation and cooperation between them. The management of the Issuer is responsible for ensuring

that the management and supervision of the outsourced operations are organised in an appropriate manner.

The Issuer has entered into Service Agreements with a number of counterparties such as the Union Co-op, Oy Samlink Ab, Paikallispankkien PP-Laskenta Oy, Savings Bank Services Ltd and Central Bank of Savings Banks Finland Plc.

The most material Service Agreements of the Issuer consist of:

- (i) A service agreement between the Issuer and the Union Co-op whereby the Union Co-op is responsible for the development of products and services, customer relationship management models and sales management, as well as providing daily support for the business operations (including services related to risk control compliance, legal and finance) of the Issuer;
- (ii) A service agreement between the Issuer and Oy Samlink Ab whereby Oy Samlink Ab provides technology support services and related operative services to the Issuer;
- (iii) A service agreement between the Issuer and Savings Bank Services Ltd whereby Savings Bank Services Ltd is responsible for the back office operations of the Issuer;
- (iv) A service agreement between the Issuer and Central Bank of Savings Banks Finland Plc whereby Central Bank of Savings Banks Finland Plc provides services for the Issuer relating to, among others, payment transactions, treasury, financial reporting and reporting to authorities, minimum reserve requirements, insider registers, and relationship with investors and rating agencies. Central Bank of Savings Banks Finland Plc is also responsible for the Issuer's asset and liability management, funding strategy, planning and implementation of issues of covered bonds, supervision of the Cover Pool, monitoring of restrictions to mortgage credit bank operations and risk reporting to the Board of Directors of the Issuer as well as to the external stakeholders (for example rating agencies).

According to the ECB's assessment with the assistance of the FIN-FSA, the outsourcing of operations of the Issuer by the Service Agreements to companies mainly belonging to the Amalgamation and to companies providing services to the Amalgamation is not expected to hinder the Issuer's risk management, internal control and general performance of its business operations. Existing administration and control systems ensure that the Board of Directors of the Issuer can efficiently supervise the supervised entity, and independent risk monitoring is ensured in the organisation.

Summary of Liquidity Arrangements

In addition, the Issuer has entered into an agreement regarding the administration of liquidity requirements and LCR deposits with Central Bank of Savings Banks Finland Plc. Pursuant to the agreement, the Issuer and Central Bank of Savings Banks Finland will manage the liquidity requirements of the Issuer in accordance with Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and the deposits and transfer of funds in accordance with article 16 of the Commission Delegated Regulation 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council.

Risk Management

The risk and capital adequacy management of the Issuer creates the parameters for identification, assessment, measurement and limitation of risk to a safe level. Risk identification is thus an important part of the risk and capital adequacy management, through the processes of which the Issuer seeks to recognise and assess potential risks and monitor them effectively. The Issuer identifies the operational risks related to its key products, services, operations, processes and systems. The Board of Directors of the Issuer is responsible for reliable management and internal control and for ensuring that they are consistent with the risk strategies implemented at the Amalgamation-level.

The Issuer's risk management and internal control is a central part of the Issuer's operations. As the Issuer is a member of the Amalgamation, it is the obligation and right of the Union Co-Op, in order to ensure compliance with the liquidity and capital adequacy, to steer and monitor the operations of the Member

Credit Institutions, including the Issuer, and to give guidelines in risk management, corporate governance, internal control and compliance with the accounting principles for preparation of the Group's consolidated financial statements.

The Board of Directors of the Issuer is responsible for arranging the internal control framework in accordance with legislation, government regulations and the guidelines of the Board of Directors of the Union Co-op. The Issuer's Chief Executive Officer ("CEO") and the other senior management of the Issuer are responsible for arranging internal controls for the Issuer in accordance with legislation, government regulations and the internal guidelines of its own Board of Directors and the Board of Directors of the Union Co-op.

The Board of Directors of the Issuer has the responsibility for the management of the Issuer's capital adequacy. The Board of Directors of the Issuer approves the basis, objectives and principles for the Issuer's capital adequacy management. The Board of Directors also confirms the overall requirements for the measurement and assessment of capital adequacy and the overall principles for the capital adequacy management process. In practice this means that the Board of Directors approves the risk strategies and defines target levels for the capital needed to cover all material risks relating to the Issuer's business operations and changes in the operating environment.

Valuation of Collateral

For so long as any Covered Bonds are outstanding, the Issuer is required ensure that, in accordance with the requirements of the CBA, the value of a Mortgage Loan acquired by the Issuer does not exceed the current value of the relevant property or the shares of the property owning company, as applicable.

The credit risk instructions laid down by the Amalgamation are used to calculate and approve the fair value of the collateral. Sufficient information is required regarding collateral when making credit decisions. The credit decision is reached based on the current and valid Savings Bank's lending authorisation. The collateral is valued at fair value conservatively and their fair values are regularly monitored using both statistical information and bank's comprehensive knowledge about its operating area. The Board of Directors of the Issuer approves the instructions and guidelines for the valuation of the different collateral types and their collateral value applied in lending. The evaluation of the fair value of the collateral is always done on a case-by-case basis.

The current value of Residential Property or Commercial Property shall be evaluated in accordance with good real estate practice applicable to credit institutions and in accordance with provisions on the management of capital adequacy and credit risk of credit institutions issued by the FIN-FSA. The value of the collateral is updated when material changes occur. The Issuer's credit risk is regularly assessed by monitoring, amongst others, the amount of loans in arrears and the amount of non-performing loans. The customer account managers monitor the loan and collateral position of the customer based on the payment behaviour and customer's other activity. The Board of Directors of the Issuer receives regular reporting on customer exposures and non-performing loans. The reporting includes, among other things, the risk position and its development by customers, industries and credit ratings.

In addition to the current value principle of the CBA, the collateral for a Mortgage Loan is also valued according to the guidelines of the Amalgamation.

The Issuer as part of the Amalgamation

The Issuer is part of the Amalgamation together with the Union Co-op, the Savings Banks, Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company Ltd, and Savings Bank Services Ltd. The Amalgamation's operations are covered by the Amalgamation Act and the Union Co-op's bylaws. Primarily, the members of the Amalgamation carry out their business independently within the scope of their resources, and thus the Issuer and the other members of the Amalgamation are primarily responsible for their own obligations. However, the Amalgamation Act prescribes that the Union Co-op must pay to each Member Credit Institution an amount that is necessary in order to prevent such Member Credit Institution's liquidation and the Union Co-op is responsible for the payments of any debts of a Member Credit Institution that cannot be paid using such Member Credit Institution's own funds. At the same time, a Member Credit Institution must pay to the Union Co-op a proportionate share of the amount which the Union Co-op has paid either to another Member Credit Institution as part of the support action described above, or to a creditor of such Member Credit Institution as payment of a due debt for which the creditor

has not received payment from its debtor. The amount paid in accordance with the joint liability is divided between the liable parties in proportion to their last adopted balance sheets. For more information on the joint liability, see "*The Amalgamation Act – Joint liability of the Amalgamation*".

Only Member Credit Institutions are jointly responsible, within the Amalgamation, for another Member Credit Institution's unpaid liabilities and such liability does not extend to any other member of the Amalgamation which is not a Member Credit Institution. Due to the joint liability within the Amalgamation, prospective investors should examine both the Issuer's and the Group's financial statements. However, investors should note that the Group consists of the Amalgamation, as well as other companies and institutions owned by the Savings Banks. The activities of the Group or companies belonging to the Group that are not part of the Amalgamation and the joint liability, may have a negative impact on the Amalgamation. For more information on the Group's consolidated financial statements, see "*Information on the Savings Banks Group and the Amalgamation—The Savings Banks Group's Financial Statements and Key Indicators*", and for more information on the Issuer's financial standing, see "*Description of the Issuer—Selected Financial Information*".

Management of the Issuer

According to the Finnish Companies Act the Issuer's highest decision-making authority rests with the Shareholders at their annual general meeting (the "**General Meeting**"). The operational decision-making authority is exercised by the board of directors (the "**Board of Directors**") which is elected at the General Meeting. The Issuer has a CEO whose duty is to see to the Issuer's day-to-day administration. In addition, the Union Co-op has an integral role under the Amalgamation Act. According to the Amalgamation Act and the Union Co-op's bylaws the Union Co-op has a steering role in the Group and also monitors the Issuer. For more information on the Union Co-op's steering, see "*Information on the Group and the Amalgamation—Savings Banks' Union Co-op*".

Board of Directors of the Issuer

According to the Finnish Companies Act, the Board of Directors is responsible for the Issuer's administration, ensuring the appropriate arrangement of its operations and the supervision of the Issuer's accounting and financial management. The Board of Directors has general competence to decide on all matters related to the Issuer's management and other issues which, according to legislation and the Issuer's Articles of Association, are not the domain of the General Meeting or of the CEO. The Board of Directors decides on the Issuer's strategy and main business objectives and also confirms the management structure.

The Board of Directors is composed of a Chairman and a Deputy Chairman as well as a minimum of one and a maximum of five further members elected at the General Meeting.

At the date of this Base Prospectus, the Board of Directors consists of the following individuals as elected by the General Meeting on 16 March 2017:

Juhani Huupponen (born 1956) has been the chairman of the Issuer's board since August 2017 and a member of the Issuer's board since March 2017. Mr Huupponen has been the CEO of Somero Savings Bank since 2004, the CEO of Parkano Savings Bank in 2003–2004, the CEO of Hauho Savings Bank in 1992–2003, bank manager of Kanta-Häme Regional Savings Bank (Janakkala region) in 1987–1992, the CEO of KAKS-Invest Oy and bank manager of Southwestern Kymi Regional Savings Bank (Miehikkälä region) in 1984–1987. Relevant positions of trust include or have been board member of the Union Co-op (formerly the Savings Banks Association), chairperson of the board of the Savings Banks Guarantee Fund, member of the supervisory board of SSP Yhtiöt Oy since 2012 and chairperson of the board of SP Taustataiturit Oy. Mr Huupponen holds a Master of Laws and an MBA.

Kirsi Autiosalo (born 1971) has been a member of the Issuer's board since March 2017. Ms. Autiosalo has been the CEO of Central Bank of Savings Banks Finland Plc since 2016. Previously Ms. Autiosalo was the CRO and CFO of the Savings Banks Union Co-op in 2013-2016, and the Head of ALM & Market Risk of Danske Bank Plc in 2012-2013. Ms Autiosalo has held various positions in Sampo Bank Plc including Head of Risk Management & ALM of Sampo Bank Plc in 2010-2012, Head of Accounts, Market Risk & ALM of Sampo Bank Plc in 2009-2010, Head of Markets Accounting, Market Risk & ALM of Sampo Bank Plc in 2008-2009, Head of Markets Accounting in 2008 and Financial Account

Management (ALM) positions between 2001-2007. Ms Autiosalo holds a Master of Economic Sciences degree from University of Tampere.

Jussi Hakala (born 1958) has been a member of the Issuer's board since March 2016. Mr Hakala has been the CEO of Lieto Savings Bank since 1998. In addition, Mr Hakala has been the chief financial officer of Asset Management Company Arsenal Oy Etelä-Pohjanmaa in 1994-1997, the bank manager of Savings Bank in Seinäjoki in 1993, the bank manager of Etelä-Pohjanmaa Savings Bank in 1988-1992 and the bank manager of Satakunta Savings Bank in Rauma in 1985-1987 and Satakunta Savings Bank in Ulvila in 1985. Relevant positions of trust include Chairman and founder of Etelä-Pohjanmaan Uusyrittäjäkeskus ry in 1992-1994. Mr. Hakala has been a Member of the Board of Directors of Savings Banks Association (Union Co-op) since 2001 and was the Chairman of the Board of Directors of Savings Banks Association (Union Co-op) in 2004-2017. Mr Hakala holds a Master of Economic Sciences degree from University of Tampere.

Risto Seppälä (born 1958) has been a member of the Issuer's board since January 2016. Mr Seppälä has been a member of Central Bank of Savings Banks Finland Plc's board since 2015 and the CEO of Helmi Savings Bank since 2008, bank manager and a member of the management group of Päijät-Häme Osuuspankki in 1999–2008, Company Analyst-District Chief of Valtiontakuukeskus in 1996–1998, CFO of Omaisuudenhoito Arsenal Oy in 1994–1996, Head of Department of Etelä-Savo Savings Bank / Suomen Säästöpankki – SSP Oy in 1990–1994, CFO of SKOP in 1986–1990 and Bank Manager of Kanta-Uusimaa Savings Bank in 1983–1986. Mr Seppälä holds a M.Sc. (Econ.) and a Vocational Qualification in Business and Administration (matriculation examination).

The business address of each member of the Board of Directors and the Issuer is Teollisuuskatu 33, 00510 Helsinki, Finland.

Conflicts of Interests

Except for the joint liability under the Amalgamation Act, there are no conflicts of interest between the duties of the members of the Issuer's administrative and management bodies to the Issuer and their other duties and private interests.

CEO of the Issuer

The Issuer has a CEO who is appointed by the Board of Directors. The duty of the CEO is to see to the Issuer's day-to-day administration in accordance with the rules and regulations set by the Board of Directors.

The CEO of the Issuer Mr. Harri Mattinen has resigned as of 9 August 2017 and business development manager Mr. Tero Kangas was appointed as acting CEO of the Issuer.

Auditors

The Issuer has one auditor, who shall be an authorised public accountant or an APA audit firm. On 21 March 2016, the general meeting of the Issuer elected KPMG Oy Ab as the Issuer's auditor. The business address of the auditor is Töölönlahdenkatu 3 A, FI 00101 Helsinki, Finland. Audit firm KPMG Oy Ab are members of the Finnish Association of Auditors and are approved by the Auditor oversight of the Finnish Patent and Registration Office. The audited financial statements for the financial year ended 31 December 2016 and the unaudited half-year reports of the Issuer as at and for the period from 1 January 2017 to 30 June 2017 and from 1 January 2016 to 30 June 2016 are incorporated in this Base Prospectus by reference. The half-year report for the period from 1 January 2016 to 30 June 2016 has been reviewed in accordance with the Standard on Review Engagements ISRE 2410 "*Review of Interim Financial Information Performed by Independent Auditor of the Entity*" by KPMG Oy Ab, with Authorised Public Accountant Petri Kettunen as responsible auditor.

Corporate Governance

The activities of the Issuer comply with the provisions of current legislation, including but not limited to the Finnish Companies Act and the CBA. In addition, the Issuer complies with orders issued by the authorities, good banking practice regulations approved by the Federation of Finnish Financial Services, as well as the Group's corporate governance policies and other internal guidelines. The Issuer also complies with its own Articles of Association.

The Group's corporate governance policies are approved by the Board of Directors of the Union Co-op and updated at least once a year or whenever there are changes in the operating environment, business model, regulations, and/or statutory requirements. For more information on the Group's corporate governance, see "*Information on the Group and the Amalgamation—Corporate Governance*".

Shares and Shareholders

Upon the establishment of Sp-KLP Palvelu Oy, each of the 23 Savings Banks that became a shareholder subscribed for one share each at the subscription price of EUR 1,000. Of the total subscription price of EUR 23,000, EUR 15,000 used for the Issuer's share capital and EUR 8,000 in the reserve for invested unrestricted equity. On 24 August 2015, the General Meeting decided to issue new shares whereby 9,977 new shares were offered for subscription by the Shareholders at a subscription price of EUR 1,000. The Savings Banks subscribed to the shares by way of derogation from the subscription rights of shareholders so that the holdings of the Savings Banks in the Issuer correspond to the relationship between the total amounts of the balance sheets of Savings Banks and the loans of Aktia Real Estate Mortgage Bank plc. originated by Savings Banks.

On 13 May 2016, the General Meeting of the Issuer authorised the Board of Directors to issue a maximum of 50,000 new shares. The Issuer decided to issue 35,009 shares based on the General Meeting's authorisation. In accordance with the Credit Institutions Act, anyone who intends to acquire, directly or indirectly, shares of a credit institution shall notify the FIN-FSA thereof in advance if his holding as a result of the acquisition, is at least 10 per cent. of the share capital of the credit institution or would be so substantial that it would be equivalent to at least 10 per cent. of the voting power generated by all shares or participations. In addition, if the holding is increased to at least 20, 30 or 50 per cent. of the share capital of the credit institution or if the holding would be equal to a share of the voting power produced by all shares, also this acquisition has to be notified in advance to the FIN-FSA. Issues of the Issuer's shares to Länsi-Uudenmaan Säästöpankki (2,283 shares), Nooa Säästöpankki Oy (2,587 shares) and Säästöpankki Optia (350 shares) would have exceeded the thresholds described above. The ECB (via the FIN-FSA) granted permission to the share issues that exceed the thresholds. Nooa Säästöpankki Oy and Länsi-Uudenmaan Säästöpankki received the permissions on 10 October 2016. After the issue and subscription of the last 5,220 shares of the 35,009 new shares, the total number of the Issuer's outstanding shares amounted to 45,009 shares.

On 16 March 2017, the General Meeting of the Issuer authorised the Board of Directors to issue a maximum of 20,000 new shares of which the Board of Directors has issued 19,550 shares at the date of this Base Prospectus. The Issuer's intention was to issue 20,000 shares based on the General Meeting's authorisation. Issue of the Issuer's shares to Säästöpankki Optia (450 shares) would have exceeded the 20 per. cent threshold described above. The issue and the subscription of those 450 shares will be finalised after the ECB (via the FIN-FSA) has granted permission to exceed that threshold.

The following table sets forth the shareholders of the Issuer as at the date of this Base Prospectus.

Shareholder	Business identity code	Number of shares	Percentage of share capital (%)
Aito Säästöpankki Oy	2286574-2	5,344	8.3
Avain Säästöpankki	0179732-2	1,816	2.8
Ekenäs Sparbank.....	0131296-2	168	0.3
Eurajoen Säästöpankki.....	0132326-6	1,950	3.0
Helmi Säästöpankki Oy	0151889-9	1,991	3.1
Huittisten Säästöpankki	0132825-1	1,574	2.4
Kalannin Säästöpankki.....	0133409-6	1,111	1.7
Kiikoisten Säästöpankki.....	0134011-1	27	0.04
Kvevlax Sparbank.....	0198368-6	283	0.4
Lammin Säästöpankki.....	0197794-8	2,553	4.0
Liedon Säästöpankki.....	0134703-0	7,079	11.0
Länsi-Uudenmaan Säästöpankki	0128371-9	7,029	10.9
Mietoisten Säästöpankki	0135240-3	1,073	1.7
Myrskylän Säästöpankki.....	0129183-1	1,058	1.6
Nooa Säästöpankki Oy.....	1819908-9	12,836	19.9
Närpes Sparbank Ab	2650799-3	433	0.7
Pyhärannan Säästöpankki	0138069-0	150	0.2
Someron Säästöpankki.....	0153091-9	4,020	6.2
Suomenniemen Säästöpankki.....	0163299-0	290	0.4
Sysmän Säästöpankki.....	0167362-9	103	0.2
Säästöpankki Optia	0170559-8	12,835	19.9
Säästöpankki Sinetti.....	0197848-1	507	0.8
Ylihärmän Säästöpankki	0184467-8	329	0.5
Total.....		64,559	100

1 Subject to rounding.

On-going and Future Investments

The Issuer has not made any significant investments or firm investment commitments since 31 December 2016.

Trend Information

There has been no material adverse change in the prospects of the Issuer since 31 December 2016.

Credit Rating

The Covered Bonds to be issued under the Programme are expected to be assigned a rating of "AAA" by S&P. The applicable rating will also be specified in the relevant Final Terms.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Risk-bearing capacity and capital adequacy

The Issuer and other Member Credit Institutions are subject to what is provided in Chapter 10 of the Credit Institutions Act and Parts 2-4 of the CRD IV Regulation concerning the requirements to be set for credit institutions' own funds.

The FIN-FSA may grant the Union Co-op permission to decide that its Member Credit Institutions will not be subject to what is provided in the above mentioned provisions. A Member Credit Institution to which the exemption applies must have its own funds accounting for at least 80 per cent. of the total

amount of the requirement for its own funds as laid down in Chapter 10, section 1 of the Credit Institutions Act.

If a Member Credit Institution is subject to the exemption, the amount of exposure as referred to in Part 4 of the CRD IV Regulation cannot exceed 40 per cent. of the amount of the Member Credit Institution's own funds. If the client is a Member Credit Institution, a credit institution or an investment firm, the exposure cannot exceed 40 per cent. of the amount of the Member Credit Institution's own funds, or if this amount is less than EUR 240 million, the exposure cannot exceed the amount confirmed internally by the Member Credit Institution, which amount can neither exceed EUR 240 million nor exceed 100 per cent. of the amount of the Member Credit Institution's own funds. The FIN-FSA may, in certain circumstances, grant a Member Credit Institution permission to deviate from the above limit. If such permission is, the exposure of a Member Credit Institution or investment firm also means exposure in relation to a group of clients that includes at least one credit institution or investment firm. When applying the aforementioned, the aggregated exposure relating to clients in a client group that are not Member Credit Institutions or investment firms cannot exceed 40 per cent. of the amount of the Member Credit Institution's own funds. The provisions of Chapter 10, section 11, subsection 3 of the Credit Institutions Act shall be applied to the calculation of the limit referred to above.

If a Member Credit Institution is subject to the exemption, the Member Credit Institution cannot invest more than an amount corresponding to 25 per cent. of its own funds in investments referred to in Article 89 of the CRD IV Regulation. The Member Credit Institution's total investments may account for an amount corresponding to a maximum of 75 per cent. of the credit institution's own funds.

The CRD IV Regulation is directly binding on member states and as it came into force, a significant proportion of the FIN-FSA standards on capital calculations were repealed. Furthermore, the European Commission has issued more detailed technical and implementation standards, which are binding regulations for Member States. The CRD IV Regulation sets out the basis for the capital requirements by requiring that all credit institutions must have a CET1 capital ratio of at least 4.5 per cent, a Tier 1 capital ratio of 6 per cent. and a total capital ratio of 8 per cent. These requirements have been supplemented by the additional capital requirements set forth in the Credit Institutions Act. Pursuant to the said act, an additional capital conservation buffer of 2.5 per cent. has been applicable from 1 January 2015 to all credit institutions. The capital conservation buffer increases the CET1 capital requirement on banks to 7 per cent. and the total capital requirement to 10.5 per cent. The FIN-FSA is also authorised to set a countercyclical buffer of zero to 2.5 per cent. based on macroprudential analysis, although it has not imposed such buffer so far. Both the additional capital conservation buffer and the countercyclical buffer (if imposed in the future) must be satisfied with CET1 capital. Each of the Savings Banks has committed to participate in the capitalisation of the Issuer, if more equity capital is needed.

Capital adequacy of the Issuer

At the end of June 2017, the Issuer had a strong capital structure, consisting of CET1 capital. Its own funds were EUR 62,386 thousand and the risk-weighted assets amounted to EUR 366,940 thousand. The capital ratio of the Issuer was 17.0 per cent. and the CET1 capital ratio was 17.0 per cent.

The standard method is used to calculate the capital requirement for credit risk of the Issuer. The capital requirement for operational risk is calculated by the basic method.

As at the six month period ended on 30 June 2017	31 December 2016	As at the six month period ended on 30 June 2016
<i>(Unaudited)</i> <i>(EUR,</i> <i>thousands)</i>	<i>(Audited)</i> <i>(EUR,</i> <i>thousands)</i>	<i>(Unaudited)</i> <i>(EUR, thousands)</i>

STATEMENT OF CAPITAL ADEQUACY

Own funds*

Common Equity Tier 1 (CET1) before regulatory adjustments	63,546	42,768	38,691
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1,160	-1,618	-894
Common Equity Tier 1 (CET1) capital	62,386	41,150	37,798
Additional Tier (AT1) capital before regulatory adjustments	0	0	0
Total regulatory adjustments to Additional Tier (AT1) capital	0	0	0
Additional Tier (AT1) capital	0	0	0
Tier 1 capital (T1=CET1+AT1)	62,386	41,150	37,798
Tier 2 (T2) capital before regulatory adjustments	0	0	0
Total regulatory adjustments to Tier 2 (T2) capital	0	0	0
Tier 2 (T2) capital	0	0	0
Total capital (TC=T1+T2)	62,386	41,150	37,798

RISK WEIGHTED ASSETS

Credit and counterparty risk	366,940	251,258	119,047
of which: credit and counterparty risk	364,527	247,811	119,047
of which: credit valuation adjustments (CVA)	2,413	3,446	0
of which: market risk	0	0	0
of which: operational risk	0	0	0
Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.0%	16.4%	31.8%
Tier 1 (as a percentage of total risk exposure amount)	17.0%	16.4%	31.8%
Total capital (as a percentage of total risk exposure amount)	17.0%	16.4%	31.8%

* The Issuer was established on 20 March 2015 and actual mortgage banking operation was initiated on 29 March 2016.

Pursuant to the Shareholder's Agreement regarding the Issuer between the shareholding banks, the Savings Banks are committed to capitalise the Issuer with Tier 1 capital to support the originated mortgage loan portfolio distributed by the Savings Banks.

Selected Financial Information

The following is a summary of the Issuer's audited consolidated financial statements as at and for the financial year ended 31 December 2016 and the unaudited half-year reports as at and for the six months ended 30 June 2017 and 30 June 2016.

The Issuer converted from the Finnish Accounting Standard (FAS) to International Financial Reporting Standards (IFRS) on 1 January 2016. The half-year report released on 30 June 2016 complies with the IAS and IFRS standards and the SIC and IFRIC interpretations that were in effect as of 30 June 2016. IFRS standards refer to those standards and interpretations that have been approved according to Regulation (EC) No 1606/2002 of the European Parliament and of the Council. Converting to IFRS reporting has changed the basis of preparation of the Issuer's financial statements as well as the way the calculations of the financial statements are presented. The change does not, however, have an effect on the Issuer's equity or the result for the comparison period, as the Issuer's operations were not initiated until after the change to IFRS reporting, on 29 March 2016. For this reason, the comparison figures

presented in the half-year report released on 30 June 2016 are not comparable to the figures for the review period, even though the actual conversion to IFRS standards did not affect the figures themselves.

The Issuer's financial statements are prepared in accordance with the IFRS as adopted by the EU.

The half-year report for the six months ended 30 June 2017 has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The accounting principles applied in the 30 June 2017 half-year report are essentially the same as in the financial statement of 2016. The figures presented in the half-year report are unaudited.

The Issuer is part of the Amalgamation and in accordance with the principles of the Act on the Amalgamation of Deposit Banks and the IAS 8 standard concerning accounting policies, adjustments and errors in accounting estimates, the Board of Directors of the Union Co-op confirms any accounting policy for which no guidance is available in the IFRS.

The Issuer's financial statements are prepared based on original acquisition cost.

	As at and for the year ended 31 December 2016	As at and for the period between 20 March 2015 and 31 December 2015*
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>(EUR, thousands)</i>	<i>(EUR, thousands)</i>
INCOME STATEMENT		
Interest income	3,940	0
Interest expenses	-3,988	0
Net interest income	-48	0
Net fee and commission income	-1,936	0
Net trading income	60	0
Total operating revenue	1,925	0
Personnel expenses	-3	0
Other operating expenses	-765	-87
Total operating expenses	-768	-87
Operating profit	-2,692	-87
Taxes	538	
Profit	-2,154	-87

* The Issuer was established on 20 March 2015 and actual mortgage banking operation was initiated on 29 March 2016. For this reason, the comparison figures presented in the financial statement are not comparable to the figures for the financial year.

	As at and for the period between 1 January 2017 and 30 June 2017	As at and for the period between 1 January 2016 and 30 June 2016*
	<i>(Unaudited)</i> <i>(EUR, thousands)</i>	<i>(Unaudited)</i> <i>(EUR, thousands)</i>
INCOME STATEMENT		
Interest income.....	5,561	332
Interest expenses	-2,217	-1,170
Net interest income	3,343	-838
Net fee and commission income.....	-2,652	-134
Total operating revenue	2,212	-972
Other operating expenses	-525	-291
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-152	0
Total operating expenses.....	-677	-291
Operating profit.....	1,534	-1,263
Taxes.....	-307	253
Profit	1,228	-1,010

* The actual mortgage banking operations were initiated on 29 March 2016.

	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016	As at 31 December 2015*
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>(EUR, thousands)</i>	<i>(EUR, thousands)</i>	<i>(EUR, thousands)</i>	<i>(EUR, thousands)</i>
STATEMENT OF FINANCIAL POSITION				
ASSETS				
Loans and advances to credit institutions.....	36,412	11,032	35,467	9,752
Loans and advances to customers	1,075,142	347,365	729,361	0
Derivatives	0	0	606	0
Intangible assets.....	928	641	1,080	172
Tax assets	232	253	538	0
Other assets.....	62,652	68	40,956	0
Total Assets	1,175,366	359,358	808,008	9,924
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions.....	613,000	320,000	265,000	0
Derivatives	1,904	0	0	0
Debt securities issued	495,131	0	499,006	0
Provisions and other liabilities	1,785	666	1,233	11
Total liabilities.....	1,111,820	320,666	765,240	11
Equity				
Share capital	43,061	26,539	30,021	6,670
Reserves	21,498	13,250	14,988	3,330
Retained earnings.....	-1,013	-1,098	-2,241	-87
Total equity	63,546	38,691	42,768	9,913
Total liabilities and equity	1,175,366	359,358	808,008	9,924

* The Issuer was established on 20 March 2015 and actual mortgage banking operation was initiated on 29 March 2016. For this reason, the comparison figures presented above are not comparable to the figures for the review period.

INFORMATION ON THE GROUP AND THE AMALGAMATION

The Issuer as a part of the Group and the Amalgamation

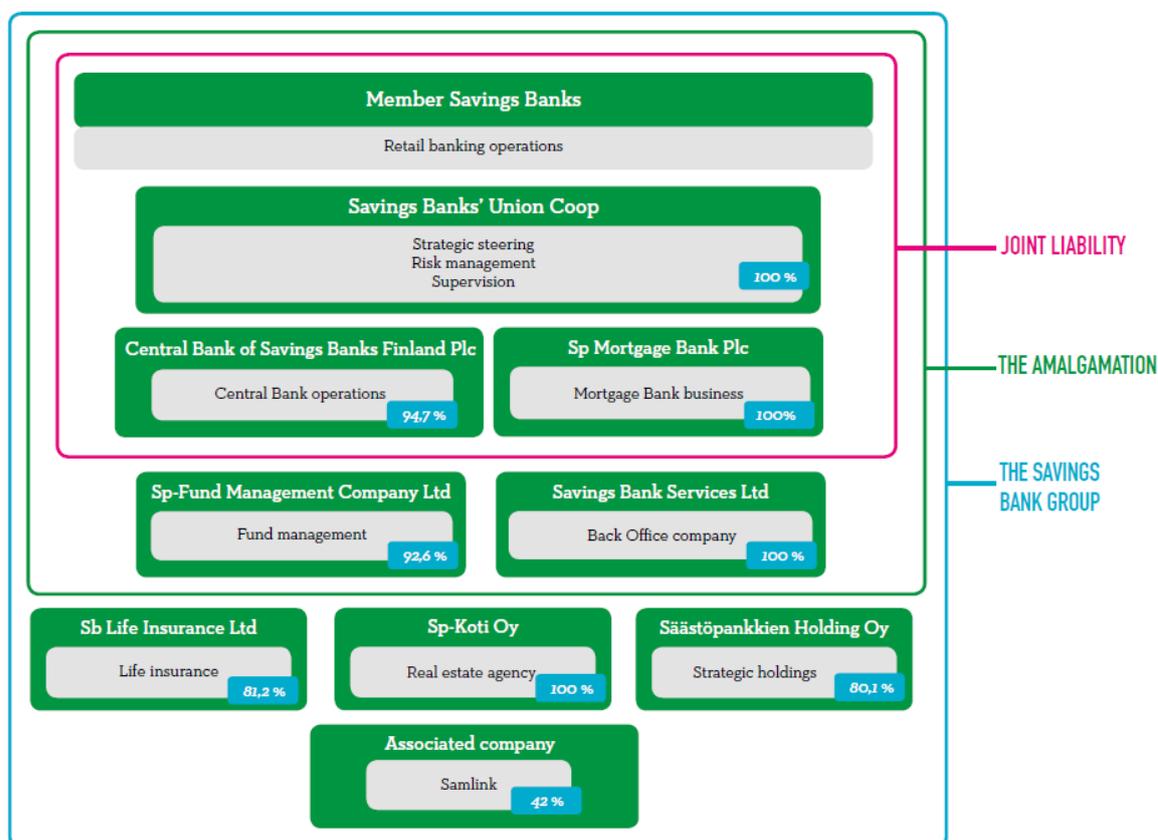
The Amalgamation comprises the Union Co-op, which acts as the central institution of the Amalgamation, 23 Savings Banks (as at the date of this Base Prospectus), the Issuer, Sp-Fund Management Company Ltd Central Bank of Savings Banks Finland Plc, as well as the companies within the consolidation groups of the above-mentioned entities.

The structure of the Group differs from that of the Amalgamation so that the Group also includes organizations other than credit and financial institutions or service companies. The most significant companies comprising the Group (but not the Amalgamation) are Sb Life Insurance Ltd, Sp-Koti Oy and Säästöpankkien Holding Oy.

The Group operates only in Finland and is the oldest banking group in Finland. The first of the Savings Banks was established in Turku in 1822. The Finnish Savings Banks Association (which became the Union Co-op as of 30 April 2014) is the central institution of the Savings Banks; it was established in 1906 and changed its form from a registered association to a co-operative in 2014.

In November 2013 and January 2014, the Savings Banks within the Group came to a decision on the forming of an amalgamation (as defined in the Amalgamation Act) and to turn the Union Co-op into a central institution for the Amalgamation. In November 2013, the Savings Banks decided to join the Amalgamation, approving its operating principles and the bylaws of the Union Co-op and making the changes to the Savings Banks' bylaws or Articles of Association required by taking up the membership in the Amalgamation. For more information on the regulation, see "*Information on the Group and the Amalgamation – the Amalgamation Act*". The Union Co-op obtained the licence from the FIN-FSA to act as the central institution of the Amalgamation on 16 October 2014, and the operations as the Amalgamation began on 31 December 2014.

The diagram below shows the structure of the Group, the Amalgamation and the joint liability within the Amalgamation.



The Structure of the Group and the Amalgamation

In the Group, executive decision-making at the Amalgamation-level, steers and influences the decision-making process in the individual companies of the Amalgamation. Additionally, Amalgamation-level executive decisions form the basis of the individual company's board decisions as necessary. As well as executive steering, individual companies must take into account legal and administrative requirements.

The Amalgamation (shown in the green box in the diagram above) is a financial group formed by the Savings Banks, the Issuer, Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company Ltd, Savings Bank Services Ltd, and their central institution, the Union Co-op, and their subsidiaries and associated institutions. Certain entities within the Amalgamation (shown in the red box in the diagram above) share joint liability under the Amalgamation Act. The assets of these entities make up approximately 99.96 per cent. of the total Amalgamation assets and 92.57 per cent. of the Group assets as at 30 June 2017.

The ideological basis of the Amalgamation is the promotion of the exercise of prudence amongst the Savings Banks' customers and their financial wellbeing. This is the root of its values, its basic service principles and the focus of its customer work.

The purpose of the Union Co-op is to act as the central administrative institution for the Amalgamation in accordance with the Amalgamation Act and to manage the finance and insurance activities within the Group. The Union Co-op aims to promote and support, on the basis of equality, the development and co-operation of the Savings Banks, Central Bank of Savings Banks Finland Plc and the Issuer as well as the other companies and entities within the Group and the Group as a whole. For more information on the Union Co-op, see "*Information on the Group and the Amalgamation—Savings Banks' Union Co-op*".

The Group (shown in the blue box in the diagram above) is comprised of the Amalgamation and other institutions belonging to the Group. The Group differs from the Amalgamation in that the Group also includes other institutions apart from credit and finance institutions and service companies. The most notable of these are Sb Life Insurance Ltd (life insurance operations), Säästöpankkien Holding Oy and Sp-Koti Oy (real estate brokerage).

The Group does not constitute a corporate group in the sense defined in the Accounting Act (1336/1997, as amended) (in Finnish *kirjanpitolaki*) (the "**Accounting Act**") or a consolidated group as defined in the Credit Institutions Act.

The Issuer is wholly owned by the Savings Banks and it is a Member Credit Institution.

Savings Banks

The Savings Banks belonging to the Amalgamation own together with Säästöpankkien Holding Oy (0.2 per cent.) 94.73 per cent. of Central Bank of Savings Banks Finland Plc's shares and 100 per cent. of the Issuer's shares. The Savings Banks belonging to the Amalgamation together with the Issuer and Central Bank of Savings Banks Finland Plc own 100 per cent. of the Amalgamation's central institution, the Union Co-op. Savings Banks are independent regional and local banks. Together the Savings Banks combine local, regional and national interests. At the end of June 2017, the Savings Banks maintained about 150 offices under their individual brand and under the brand of the Group, with a total of 472,800 customers across all Savings Banks. As at 30 June 2017, the Savings Banks had in aggregate approximately 1,159 employees.

The Savings Banks are deposit banks, regulated not only by the Credit Institutions Act but also by the Savings Bank Act, according to which the Savings Banks have the special objective of promoting saving. A minimum of ten corporations or foundations or a minimum of twenty natural persons are required in order to establish a savings bank. The sizes of the Savings Banks vary substantially as the balance sheet of the largest Savings Bank, Säästöpankki Optia, was over EUR 1,408.1 million, and the balance sheet of the smallest Savings Bank, Kiikoisten Säästöpankki, was EUR 26.0 million each as at 30 June 2017. A Savings Bank's own restricted capital consists of the basic capital and the reserve fund, as well as possibly a revaluation fund and a basic fund. The Group includes four Savings Banks which take the form of limited companies, whose share capital is included in the basic capital in equity. The FIN-FSA has

granted credit institution licences to all of the Savings Banks and supervises the operations at Amalgamation-level.

The Savings Banks focus on low-risk retail banking, particularly services related to daily business, saving and investments, and lending services. The target groups of the Savings Banks are working-age households, small and medium-sized enterprises ("SMEs") and agricultural customers. The product and service range covers all the main banking services for both personal and business customers. They are complemented by other financial sector services and products provided together with partners. In the Greater Helsinki area, a corresponding retail bank operation is carried out by Nooa Säästöpankki Oy, which is a company jointly owned by the other Savings Banks and Oma Säästöpankki Oy.

The sales of products and services are provided by both physical branch offices and online banking. The majority of the Group's corporate customers have an annual turnover of under EUR 10 million. The majority of the funds raised by the Group have been granted as housing loans to the Group's customers. As at 31 December 2016, households, SME's and agricultural customers made up 100 per cent. of the loans (i.e. loans and advances to customers) on the Group's balance sheet. The majority of the Group's loans (74 per cent.) have been granted against residential housing serving as collateral for the loan.

The Savings Banks original ideology, the desire to promote the wellbeing of individuals and communities, continues to be the basis of the Savings Banks' operations today. The promotion of thrift is mentioned in the Savings Bank Act as the special purpose of the Savings Banks. The aim of the Savings Banks is to increase customer share, good profitability, economic wellbeing of both the local community and customers, and a Savings Bank brand, which attracts both customers and employees.

Comparison of the Total Assets of the Savings Banks and the Group

The Savings Banks and their total assets as of 31 December 2016 and 31 December 2015 are the following:

Name of the Savings Bank	31 December 2016	31 December 2015
	<i>(Consolidated)</i>	
	<i>(EUR million)</i>	
Aito Säästöpankki Oy	701	749
Avain Säästöpankki	337	320
Ekenäs Sparbank.....	149	145
Eurajoen Säästöpankki.....	224	225
Helmi Säästöpankki Oy	285	286
Huittisten Säästöpankki	387	373
Kalannin Säästöpankki.....	174	164
Kiikoisten Säästöpankki.....	25	25
Kvevlax Sparbank.....	175	174
Lammin Säästöpankki.....	480	491
Liedon Säästöpankki.....	1,013	956
Länsi-Uudenmaan Säästöpankki	644	687
Mietoisten Säästöpankki	140	139
Myrskylän Säästöpankki.....	175	156
Nooa Säästöpankki Oy.....	752	750
Närpes Sparbank Ab*	392	386
Pyhärannan Säästöpankki	36	39
Someron Säästöpankki.....	450	467
Suomenniemen Säästöpankki.....	89	85
Sysmän Säästöpankki.....	88	88
Säästöpankki Optia	1,399	1,448
Säästöpankki Sinetti.....	225	219
Ylihärjän Säästöpankki	163	143
Total	8,503	8 517
Total Assets of the Group	10,424	9,189

The Savings Banks share joint liability for each others' debts and those of the Issuer and Central Bank of Savings Banks Finland Plc (subject to the limitations of the Amalgamation Act). At 31 December 2016, the combined assets of the Savings Banks were EUR 8,503 million (2015: EUR 8,517 million). By

comparison the consolidated assets of the Group were EUR 10,424 million as at 31 December 2016 (2015: EUR 9,189 million).

Corporate Structure

The corporate structure of the Savings Banks takes one of two forms, either that of a traditional savings bank or a savings bank limited company. The highest level of decision making in the Savings Banks structured using the traditional savings bank form rests with the board of trustees of a Savings Bank (in Finnish: *isännistö*), who are representatives of the depositors and, where relevant, of the holders of equity capital (in Finnish: *kantarahasto-osuuksien omistajat*) shareholders. The highest level of decision making in the Savings Banks which are structured as limited companies rests with the savings bank trusts at the annual general meeting, the boards of which are similarly comprised of representatives of the depositors. The board of trustees of a Savings Bank and the Savings Bank trusts at the annual general meeting elect the board for their respective Savings Banks.

Savings Banks' Union Co-op

The Union Co-op was established in 1906 (prior to 30 April 2014: The Finnish Savings Banks Association), and is organised under the laws of the Republic of Finland. The Union Co-op's financial year is one calendar year. The Union Co-op is domiciled in Espoo, Finland, and registered in the Finnish Trade Register under the business identity code 0117011-6. Its registered address is Teollisuuskatu 33, 00510 Helsinki, Finland. The Union Co-op is owned by the Savings Banks together with the Issuer and Central Bank of Savings Banks Finland Plc.

The Union Co-op is the central institution for the Amalgamation. The Union Co-op's bylaws supplement the Amalgamation Act. Decisions on amendments to the Union Co-op's bylaws shall be made by the general meeting of the Union Co-op in accordance with the Cooperatives Act and the Union Co-op's bylaws. The Union Co-op's bylaws retain, among other things, information on the Union Co-op's purpose, the control and supervision of the Amalgamation, withdrawal and expulsion of members, information on the general meetings of the Union Co-op, information on the duties and the election of the Union Co-op's management, representation of the Union Co-op, information on the shares and cooperative contribution, fees for the services provided to the Union Co-op's members, information on the Union Co-op's responsibility for debts of the Member Credit Institutions and information on the joint liability under the Amalgamation Act.

The Union Co-op's key objective is to support and foster the competitiveness of the Savings Banks and the achievement of the Group's objectives. Pursuant to the Amalgamation Act, the Union Co-op is responsible among other things for issuing guidelines on risk management, good corporate governance, internal control and guidelines for the application of uniform accounting principles in preparing the consolidated financial statements of the Group. For further information on the Union Co-op's role and its responsibility under the Amalgamation Act, see "*The Amalgamation Act*".

According to Article 2 of its bylaws, the Union Co-op's objective is to provide services needed by the companies belonging to the Amalgamation, hold shares and participations in the companies belonging to the Amalgamation and to engage in other investment activities that may be justified from the perspective of the Amalgamation. The Union Co-op may not engage in any other material business. The Union Co-op may arrange the services it is to provide through subsidiaries or other companies. The Union Co-op controls the centralised services of the Group, develops the business of the Group, sees to the strategic direction of the Group and the supervision of its interests and is in charge of the control and supervision duties that pertain to the central institution of an amalgamation and the undertaking at the head of a financial and insurance conglomerate.

In accordance with the Amalgamation Act, a credit institution may be accepted as the Union Co-op's member, provided that the credit institution's bylaws or articles of association under section 6 of the Amalgamation Act have been adopted. The decision on the adoption of the bylaws or the articles of association by the credit institution shall be valid only if the related proposal is supported by at least a two-thirds vote given by those at a general meeting of the co-operative or meeting of trustees of such credit institution (as the case may be) or if it is supported by at least a two-thirds vote given by those at a general meeting of shareholders and two-thirds of shares represented at the meeting of such credit institution (as the case may be).

The Union Co-op is tasked with promoting the development and co-operation of the Savings Banks and to act as their representative. Joint Savings Bank policies, most importantly the strategy, are decided by the general meeting of the Union Co-op. The Union Co-op attends to the business development, marketing, training provision and communications of the Savings Banks.

The primary objective of the Union Co-op is to facilitate the achievement of the Amalgamation's shared strategic goals. The Union Co-op is responsible for the steering and oversight of the Amalgamation in accordance with the Amalgamation Act, as well as coordinating the centralised development and service provision functions of the Amalgamation.

As part of the promotion of the interests of its members, the Union Co-op may enter into agreements on behalf and on the joint account of its members in accordance with the principles approved by the general meeting of the Union Co-op. The Union Co-op may not make decisions or take measures that are likely to result in unjust benefit to a member or another party to the detriment of the Union Co-op or another member.

The shared support services required by the Savings Banks and product and service companies are organised in the Union Co-op. These centralised services relate to the Group's governance, steering, development, support services and the Group's ICT management. In terms of input-output, these services are best centralised for reasons of know-how, efficiency, and risk management. In addition, the treasury function and mortgage bank operations are handled by the Union Co-op in its role as the central institution's functional organisation, as these services also form a part of the centralised support services, and are only organised as a separate company for practical reasons.

At 31 December 2016, the Union Co-op employed a staff of 43.

Management of the Union Co-op

The highest decision-making body of the Union Co-op is formed of the members in attendance at the Annual Meeting of the Union Co-op, which is attended by all member banks of the Union Co-op. An extraordinary meeting of the Union Co-op shall be convened if the Board of Directors finds it necessary or if it is required by law. The Annual Meeting elects the Board of Supervisors of the Union Co-op. Members of the Board of Supervisors include the chairpersons of the Boards of Directors of all Savings Banks or the chairperson of the Board of Supervisors, if the bank has such a body. The Board of Supervisors consists of no less than nine (9) and no more than thirty-five (35) members.

The members of the Union Co-op at the Annual Meeting elect the Board of Directors (6–9 members) of the Union Co-op. The Board of Directors mainly consists of CEOs of the Savings Banks. The Board of Supervisors and Board of Directors of the Union Co-op establish committees to support their operation as required by the Credit Institutions Act and otherwise at their discretion. Each of these has an appropriate charter, detailing its purpose, composition, operation and functions.

The Union Co-op's Board of Directors has the following committees: the Audit Committee, Risk Committee and the Asset and Liability Management Committee.

Board of Supervisors of the Union Co-op

The supervisory board is responsible for supervising the management of the Union Co-op, as carried out by the Board of Directors and the CEO, as well as supervising the expert and diligent management of the Union Co-op's activities in accordance with the Cooperatives Act and the interests of the central institution and the Group. In particular, the Board of Supervisors is responsible for maintaining and promoting internal cooperation within the Group. The supervisory board may issue instructions to the board of directors regarding matters that are extensive or significant in terms of principle. In addition, the supervisory board shall (1) give a statement to the general meeting of the Union Co-op on the Group's strategy and other shared objectives and operating principles; (2) confirm the Group's rules of audit and operating principles of audit; (3) give a statement to the annual general meeting of the Union Co-op on the financial statements, consolidated financial statements and annual report; (4) decide upon a prohibition on returning the subscription prices paid for shares and upon the revocation of such prohibition; and (5) handle other matters upon the proposal of the board of directors. The supervisory board has established two permanent committees, the Appointment Committee and the Compensation Committee.

Board of Directors of the Union Co-op

At the date of this Base Prospectus, the Chairman and members of the Union Co-op's Board of Directors were: Mr Kalevi Hilli (Chairman), the CEO of Savings Bank Optia; Mr Peter Finne, the CEO of Kvevlax Savings Bank; Ms Pirkko Ahonen, the CEO of Aito Savings Bank; Mr Jussi Hakala, the CEO of Lieto Savings Bank; Mr Toivo Alarautalahti, the CEO of Huittinen Savings Bank; Mr Jan Korhonen, the CEO of Suomenniemi Savings Bank, Ms Sanna Ahonen, Senior Vice President Strategy and Development of Posti Group Oyj and Ms Marja-Leena Tuomola, the Chief Operation Officer of Sanoma Digital Finland.

Conflicts of Interests

Except for the joint liability under the Amalgamation Act, there are no conflicts of interest between the duties of the members of the Union Co-op's administrative and management bodies to the Union Co-op and their other duties and private interests.

CEO and Deputy CEO

Mr Tomi Närhinen was appointed as the CEO of the Union Co-op as of 1 September 2017. Ms. Anita Aalto acts as deputy to the CEO. In accordance with the provisions of the Cooperatives Act, the CEO shall see to the executive management of the Union Co-op. Furthermore, the CEO shall execute the strategy of the Group in accordance with the instructions and orders given by the Board of Directors, prepare the matters to be presented to the Board of Directors and assist the Board of Directors in preparing the matters to be presented to the supervisory board.

The business address of the CEO and the Deputy CEO is Teollisuuskatu 33, 00510 Helsinki, Finland.

Corporate Governance

The activities of the Group comply with the provisions of current legislation, orders issued by the authorities, good banking practice regulations approved by the Federation of Finnish Financial Services, as well as the Group's corporate governance policies and other internal guidelines.

The Group's governance policies are approved by the Board of Directors of the Union Co-op and updated at least once a year or whenever there are changes in the operational environment, business model, regulations, and/or statutory requirements.

The activities of the Amalgamation and its central institution, the Union Co-op, are regulated by European Union and national legislation and regulation. The relevant national statutes are contained in the Act on Credit Institutions, the Act on the Amalgamation of Deposit Banks, the Savings Banks Act and the Cooperatives Act. In addition, the Amalgamation operates in accordance with good banking practice and the procedural regulations concerning personal data processing.

The corporate governance in accordance with the governance policies comprises the Board of Directors and executive directors, relations between the shareholders and other stakeholder groups, the setting of targets, deciding on the means of attaining them, and monitoring performance. Implementation of corporate governance policies is promoted by a clear frame of reference, consistently and comprehensively documented guidelines, and clearly defined decision-making levels.

The Group attempts to minimise the realisation of operative risks by continuously developing its personnel and by putting in place extensive policies and internal control measures, which include the separation, where possible, of preparatory work, decision-making, implementation and monitoring.

The risks of new products or services shall be assessed before introduction. An assessment shall also be performed at the introduction of a new service package if products and services are combined in a new way. The Union Co-op is responsible for internal control and risk management processes as required when new products or services are being introduced.

The Union Co-op is responsible for the Amalgamation's risk management and has established a risk committee. The risk committee assists the Union Co-op's Board of Directors and operative management and its tasks include, but are not limited to, the preparation of Amalgamation-level risk strategies and limits, monitoring that the Member Credit Institutions' risk strategies are in compliance with the

Amalgamation-level risk strategies, assessments of the Member Credit Institutions' credit risks and management of the capital adequacy.

Auditor of the Union Co-op

The Union Co-op has one auditor, which is required to be a public accounting company approved by the Auditor oversight of the Finnish Patent and Registration Office. The auditor also audits the consolidated financial statements as referred to in the Amalgamation Act. The consolidated financial statements as referred to in the Amalgamation Act for the financial year ended 31 December 2016 is incorporated in this Base Prospectus by reference and have been audited by KPMG Oy Ab, with Authorised Public Accountant Petri Kettunen as responsible auditor. The business address of the auditors and the auditors' firm is Töölönlahdenkatu 3 A, FI 00101 Helsinki, Finland.

Strategy of the Savings Banks

The Savings Banks focus on retail banking and in particular day-to-day banking, saving and investing, and lending services. The Savings Banks' products and services portfolio covers all key banking needs of private and corporate customers alike. These are complemented by the financial-sector services and products provided in collaboration with our partners. The Savings Banks' main customer focus is on household, SME customers and agricultural customers.

The aim of the Savings Banks is to increase customer share, good profitability, economic wellbeing of both the local community and customers, and a Savings Bank brand which attracts both customers and employees.

The Savings Banks growth shows both in current customers concentrating their banking with the Savings Banks and in the rising number of new customers. The Savings Banks strategy relies on the competence of the Savings Banks' employees.

The Savings Banks' success is based on good profitability, cost-effectiveness, financial solidity, and risk management. Business development, risk-bearing capacity, dependable operations and security all rest on the foundation of a capital adequacy buffer.

Despite the above, each of the Savings Banks operates individually and has its own strategy linked to the Group-level strategy.

Service Companies and Associated Companies

In addition to the Issuer, the Group has several service companies. Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company Ltd, and Savings Bank Services Ltd belong to the Amalgamation. Sb-Life Insurance Ltd, Sp-Koti Oy and Säästöpankkien Holding Oy do not belong to the Amalgamation but they are part of the Group. The service companies belonging to the Group are owned by the Member Credit Institutions, which provide financing for the service companies, if required. In addition, the Group or companies belonging to the Group own shares in the associated companies.

Central Bank of Savings Banks Finland Plc is the central credit institution of the Group. As the central bank for the Savings Banks, Central Bank of Savings Banks Finland Plc supports the Savings Banks' (including the Issuer) liquidity management and participates in European payment transmissions on a daily basis. Central Bank of Savings Banks Finland Plc provides the Savings Banks with refinancing solutions in accordance with their needs. Central Bank of Savings Banks Finland Plc is responsible for and manages the payment transfers of the Issuer as part of the standardised services offered to the Savings Banks. The Treasury of Central Bank of Savings Banks Finland Plc is responsible for and manages the temporary funding of the Issuer, the implementation and settlement of issued covered bonds related to funding and the derivative transactions made for hedging purposes. The Issuer has concluded an agreement on the use of liquid assets with Central Bank of Savings Banks Finland Plc. The liquidity agreement fulfils the requirement of a legally binding document governing the network, as defined in Art. 16(1a) of the Commission Delegated Regulation 2015/61 ("**LCR DA**").

Sp-Fund Management Company Ltd is an investment fund company owned by the Savings Banks that provides the Savings Banks and their customers with services in fund and asset management. Established in 2003, it promotes long-term saving and serves as the investment markets expert unit for the savings banks. At the end of June 2017, the company administered 18 investment funds with a total capital of

EUR 2.1 billion (31 December 2016: EUR 1.9 billion). The number of fund unit holders at that time was 173,357 (31 December 2016:159,968). At the end of June 2017, the funds administered on the basis of individual asset management agreements totalled EUR 0.8 billion (30 June 2016: EUR 0.6 billion).

Sp-Life Insurance Ltd complements the Savings Banks' core business and strategy of saving and investment. The company offers life insurance products and services for private customers and corporate saving, investment and personal risk coverage.

Sp-Koti Oy is a real estate agent franchising entity, which coordinates and upholds the Savings Bank values within the real estate franchise. *Sp-Koti Oy* offers a franchising opportunity to local estate agents to benefit from the use of the Savings Banks logo and the strong support provided by their local Savings Bank. During its first five years of operation, the franchise has expanded strongly to cover the entire country. In 2016, *Sp-Koti Oy* included 32 companies (2015: 35 companies), one own unit and seven entrepreneurs using a trading name.

Savings Bank Services Ltd commenced its operations in June 2017 and was established through a merger of two back office companies, *SP Back Office Oy* and *SP Taustataiturit Oy*, and through business transfers of three banks.

Oy Samlink Ab provides the Group with banking and information system services. *Oy Samlink Ab* is responsible for the ICT services of the Issuer. The Savings Banks together own 42 per cent. of the shares in *Oy Samlink Ab*. The other shareholders are Aktia Bank p.l.c., the POP Banks, Svenska Handelsbanken Ab, Oma Säästöpankki Ltd and Posti Group Oyj. Established in 1994, *Oy Samlink Ab* is one of the first Finnish companies focusing on information technology service provision for the financial sector. *Oy Samlink Ab's* subsidiary Paikallispankkien PP-Laskenta Ltd provides financial administration services to businesses operating in the financial sector. The Issuer obtains external accounting and bookkeeping as well as part of the reporting to the authorities from Paikallispankkien PP-Laskenta Oy.

Recent Events

EVERY AS has signed a letter of intent (as announced on 29 March 2017) and is in exclusive discussions to acquire *Oy Samlink Ab*, a leading vendor of IT solutions to banks in Finland. As part of these discussions, 50 banks currently serviced by *Samlink* would select EVERY's core banking solution as their future banking platform. Through the acquisition, EVERY's ambition will be to expand its footprint in Finland. EVERY AS offers systems integration, consulting, and IT solutions services, as well as selling computer software and outsourcing services. The letter of intent does not concern *Oy Samlink Ab's* subsidiaries Paikallispankkien PP-Laskenta Oy and Project-IT Oy. The binding agreement is expected to be signed during the fourth quarter of 2017 and closing is expected to take place by the end of 2017, after the necessary authority approvals have been received. It is not possible to assess the financial influence of the sale as the negotiations are ongoing.

On 31 May 2017, *SP Taustataiturit Oy* merged with *SP Back Office Oy* and *SP Back Office Oy* at the same time changed its name to *Savings Bank Services Ltd*.

The Board of Directors of the Union Co-op is not aware of any other factors which would materially influence the financial position of the Group after the completion of the financial statements.

Risk-bearing capacity and capital adequacy

The capital adequacy requirements set out in the Credit Institutions Act, are determined based on the combined Amalgamation's operations which are based on the Amalgamation Act which became effective as of 1 July 2010. Owing to the regulations on joint responsibility and security conditions prescribed in the Amalgamation Act, a minimum amount of capital resources has been set aside for the Amalgamation, calculated according to the regulations for capital adequacy specified in the Credit Institutions Act and CRD IV Regulation, which entered into force on 1 January 2014.

The Amalgamation Act is based on the principle that the amalgamation is structurally stable and permanent. Therefore, it is a prerequisite for withdrawal from the membership that the capital adequacy calculated for the Amalgamation will remain as regulated irrespective of the withdrawal. The payment liability of an entity belonging to the joint liability shall also apply to a former member which has withdrawn or been expelled from the Amalgamation, if less than five years have passed since the end of

the financial year in which such entity withdrew or was expelled from the Amalgamation when a demand regarding payment liability is made on the former member.

Capital adequacy of the Amalgamation

As at 30 June 2017, the Amalgamation's capital structure consisted primarily of CET1 capital. Total own funds were EUR 969.5 million (31 December 2016: EUR 936.6 million), of which CET1 capital accounted for EUR 919.0 (31 December 2016: EUR 887.9 million). The increase in CET1 capital was due to the profit for the period. During the review period, Tier 2 (T2) capital accounted for 50.5 million (31 December 2016: EUR 48.7 million), which consisted of debentures. Risk-weighted assets amounted to EUR 5,012.9 million (31 December 2016: EUR 4,805.4 million), i.e. they were 2.3 per cent. 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 Amalgamation was 19.3 per cent. (19.5 per cent.) and the CET1 capital ratio was 18.3 per cent. (31 December 2016: 18.5 per cent.).

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

	<u>As at 30 June 2017</u>	<u>As at 30 June 2016</u>	<u>As at 31 December 2016</u>	<u>As at 31 December 2015</u>
	<i>(Unaudited, EUR thousands)</i>		<i>(Audited, EUR, thousands)</i>	
OWN FUNDS				
Common Equity Tier 1 (CET1) capital before regulatory adjustments.....	945,710	885,413	915,685	849,784
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-26,689	-26,408	-27,835	-25,252
Common Equity Tier 1 (CET1) capital	919,021	859,005	887,850	824,531
Additional Tier 1 (AT1) capital before regulatory adjustments	0	0	0	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0	0	0
Additional Tier 1 (AT1) capital.....	0	0	0	0
Tier 1 capital (T1=CET1+At1)	919,021	859,005	887,850	824,531
Tier 2 (T2) capital before regulatory adjustments.....	50,455	56,164	48,717	44,776
Total regulatory adjustments to Tier 2 (T2) capital	0	1,679	0	4,956
Tier 2 (T2) capital.....	50,455	57,844	48,717	49,732
Total capital (TC=T1+T2).....	969,476	916,848	936,567	874,263
Risk weighted assets	5,012,865	4,748,785	4,805,436	4,643,728
of which: credit and counterparty risk	4,478,122	4,191,406	4,250,278	4,097,876
of which: credit valuation adjustment (CVA).....	75,544	121,843	98,561	104,611
of which: market risk.....	37,749	41,777	35,147	47,483
of which: operational risk	421,450	393,759	421,450	393,759
Common Equity Tier 1 (as a percentage of risk exposure amount)	18.3%	18.1%	18.5%	17.8%
Tier 1 (as a percentage of total risk exposure amount).....	18.3%	18.1%	18.5%	17.8%
Total capital (as a percentage of total risk exposure amount).....	19.3%	19.3%	19.5%	18.8%

* Own funds and capital adequacy are presented in accordance with the CRD IV Regulation (575/2013), which came into force on 1 January 2014.

	The Group			
	As at and for the six month period ended 30 June		As at and for the twelve month period ended 31 December	
	2017	2016	2016	2015
	<i>(Unaudited)</i>		<i>(Audited)</i>	
	<i>(EUR, thousands)</i>			
INCOME STATEMENT				
Interest income.....	90,905	89,860	180,663	182,812
Interest expenses.....	-21,789	-25,125	-48,970	-57,794
Net interest income	69,116	64,735	131,693	125,018
Net fee and commission income.....	39,047	35,373	71,428	68,850
Net trading income.....	1,031	371	-56	-1,350
Net investment income.....	19,410	9,832	17,809	20,526
Net life insurance income.....	6,394	5,128	11,810	15,178
Other operating revenue.....	1,232	10,059	12,692	2,309
Total operating revenue	136,229	125,499	245,376	230,531
Personnel expenses.....	-39,275	-37,810	-76,117	-70,632
Other operating expenses	-44,333	-39,305	-81,944	-75,496
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets.....	-5,954	-5,155	-10,732	-10,737
Total operating expenses	-89,563	-82,270	168,792	-156,865
Net impairment loss on financial assets.....	-7,240	-3,655	-8,411	-6,127
Associate's share of profits	1,062	628	1,430	2,160
Profit before tax	40,488	40,201	69,603	69,699
Taxes	-7,787	-7,890	-12,406	-12,080
Profit	32,701	32,311	57,197	57,619
<i>Profit attributable to:</i>				
Equity holders of the Group.....	32,060	31,960	56,361	56,135
Non-controlling interests.....	641	351	835	1,484
Total	32,701	32,311	57,197	57,619

	As at 30 June		As at 31 December	
	2017	2016	2016	2015
	<i>(Unaudited)</i>		<i>(Audited)</i>	
	<i>(EUR thousands)</i>			
STATEMENT OF FINANCIAL POSITION				
ASSETS				
Cash and cash equivalents	721,479	856,273	1,100,784	546,340
Financial assets at fair value through profit or loss	24,866	116,406	118,055	162,234
Loans and advances to credit institutions	37,908	34,899	20,855	74,522
Loans and advances to customers	7,410,784	6,523,425	6,942,744	6,312,589
Derivatives	60,311	87,421	72,024	70,845
Investment assets	1,286,508	1,272,076	1,306,780	1,270,588
Life insurance assets	784,369	636,069	708,374	581,866
Investment in associates	0	44,917	7,086	45,731
Property, plant and equipment	54,413	54,480	56,711	54,029
Intangible assets	24,910	20,255	22,137	19,129
Tax assets	3,191	3,421	3,977	3,313
Other assets	72,916	69,328	64,119	48,202
Non-current assets classified as held for sale	7,037	0	0	0
Total Assets	10,488,692	9,718,969	10,423,646	9,189,391
LIABILITIES AND EQUITY				
Liabilities				
Financial liabilities at fair value through profit or loss	15,724	99,497	108,595	144,071
Liabilities to credit institutions	278,169	288,097	227,049	351,241
Liabilities to customers	6,161,896	6,037,517	6,121,627	5,914,898
Derivatives	4,787	1,677	2,289	1,588
Debt securities issued	2,024,076	1,476,520	2,049,588	1,042,238
Life insurance liabilities	737,240	598,025	664,327	544,236
Subordinated liabilities	114,621	137,484	121,735	146,336
Tax liabilities	65,643	63,792	66,403	62,122
Provisions and other liabilities	97,863	99,045	108,631	101,967
Total liabilities	9,500,019	8,801,654	9,470,245	8,308,697
Equity				
Basic capital	20,338	20,338	20,338	20,338
Reserves	293,928	278,351	291,361	267,766
Retained earnings	649,075	595,305	617,709	570,131
Total equity attributable to equity holders of the Group	963,341	893,995	929,408	858,235
Non-controlling interests	25,332	23,320	23,994	22,458
Total equity	988,673	917,315	953,402	880,694
Total liabilities and equity	10,488,692	9,718,969	10,423,646	9,189,391

THE AMALGAMATION ACT

The following is a brief overview of certain features of the Act on the Amalgamation of Deposit Banks (599/2010, as amended) (in Finnish: laki talletuspankkien yhteenliittymästä), (the "Amalgamation Act") as of the date hereof. The overview does not purport to be, and is not, a complete description of all aspects of the Finnish legislative and EEA regulatory framework for the Amalgamation.

General

The Amalgamation Act lays down requirements set for the operations of the Union Co-op acting as a central institution for the Amalgamation and the companies belonging to the Amalgamation.

The Amalgamation is formed by the Issuer, the Union Co-op, the Savings Banks, Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company Ltd, and Savings Bank Services Ltd. The Union Co-op acts as the central institution of the Amalgamation.

Supervision

The Union Co-op, the Member Credit Institutions and other companies within the Amalgamation shall be supervised by the FIN-FSA as laid down in the Amalgamation Act and the Act on the Financial Supervision Authority. The Member Credit Institutions shall be supervised also by the Union Co-op as laid down herein.

The Union Co-op shall exercise oversight to ensure that the companies within the Amalgamation operate in accordance with the laws, decrees and regulations issued by the relevant authorities governing financial markets, and their own rules or articles of associations and the instructions issued by the Union Co-op by virtue of the Amalgamation Act. It is the Union Co-op's duty to supervise the financial position and the operations of the companies within the Amalgamation in accordance with the provisions of the Amalgamation Act.

Licence of the Union Co-op

The FIN-FSA issued a central institution's licence to the Union Co-op on 16 October 2014.

The FIN-FSA may cancel the central institution's licence if the Amalgamation no longer fulfils the capital requirements laid down in section 19 of the Amalgamation Act. Section 19 of the Amalgamation Act sets forth the requirements for the financial position of the Amalgamation and requires, *inter alia*, that the companies within the Amalgamation must together have own funds of the minimum amount provided for in Chapter 10, section 1 of the Credit Institutions Act, The amount shall be calculated in accordance with what is provided for the calculation of consolidated own funds in CRD IV Regulation. Additionally, pursuant to section 26 of the Act on the Financial Supervision Authority, the FIN-FSA may cancel the licence for example if the essential statutory conditions under which authorisation was granted or business was taken up no longer exist, or if the operations of the Union Co-op constitute a material breach of the provisions governing financial markets or the regulations issued thereunder by the authorities, the terms of authorisation or the rules applicable to the operations of the Union Co-op.

The rights and obligations of the Union Co-op, based on the provisions of Chapter 5 of the Amalgamation Act, which have been established prior to cancellation of the licence, shall not expire owing to said cancellation.

Joint liability of the Amalgamation

In summary, the Amalgamation Act prescribes the following with respect to the joint liability of the Amalgamation:

- (a) Union Co-op's liability for debt: The Union Co-op must pay to each Member Credit Institution an amount that is necessary in order to prevent such Member Credit Institution's liquidation. The Union Co-op is responsible for the payments of any debts of a Member Credit Institution that cannot be paid using such Member Credit Institution's own funds.
- (b) Joint liability of Member Credit Institutions: A Member Credit Institution must pay to the Union Co-op a proportionate share of the amount which the Union Co-op has paid either to another

Member Credit Institution as part of the support action described above, or to a creditor of such Member Credit Institution as payment of a due debt for which the creditor has not received payment from his debtor. Furthermore, upon the insolvency of the Union Co-op a Member Credit Institution has an unlimited liability to pay the debts of the Union Co-op as set out in Chapter 14 of the Cooperatives Act.

- (c) Each Member Credit Institution's liability, for the amount which the Union Co-op has paid on behalf of one Member Credit Institution to its creditors, is divided between the remaining Member Credit Institutions in proportion to their last adopted balance sheet totals.
- (d) Member Credit Institution's obligation to participate in support actions: If the funds of any Member Credit Institution fall below the minimum threshold set out in the Credit Institutions Act or the Amalgamation Act, as the case may be, the Union Co-op is entitled to receive credit from the other Member Credit Institution by collecting additional repayable payments from them to be used to support actions to prevent liquidation of the Member Credit Institution whose funds have fallen below the minimum threshold. The annual aggregate amount of the payments collected from the Member Credit Institution on this basis may in each accounting period be a maximum amount of five thousandths (5/1,000) of the last adopted balance sheet total of each Member Credit Institution.
- (e) Union Co-op's liability to pay a Member Credit Institution's overdue debt: A creditor who has not received payment from a Member Credit Institution on a due receivable (principal debt) may demand payment from the Union Co-op, when the principal debt falls due. As a result, pursuant to the Amalgamation Act, the Union Co-op is responsible for the payment of such debts. Having made such payment, the Union Co-op has a right to collect proportionate shares of the payment from Member Credit Institutions as described above in paragraph (b).

The Amalgamation Act is based on the principle that the Amalgamation is structurally stable and permanent. Therefore, it is a prerequisite for leaving the membership that the solvency calculated for the Amalgamation will remain above the minimum level required by applicable regulation irrespective of such member leaving and after taking into consideration any related liabilities. A member that has left the Union Co-op will be subject to joint liability even after this, if a liability for a payment arises within five years from the end of the financial year following the departure and if the payment claim is made to the credit institution less than five years from the end of the calendar year when the Member Credit Institution left the Union Co-op. This period of time is designed to ensure that the Member Credit Institution cannot intentionally avoid its joint liability in accordance with law by leaving the Union Co-op if another Member Credit Institution is threatened by liquidation.

Entities other than the Member Credit Institutions do not fall within the scope of the joint liability.

Responsibilities of the Union Co-op

Under the Amalgamation Act, the Union Co-op is responsible for issuing guidelines on risk management, good corporate governance, internal control and guidelines for the application of uniform accounting principles in preparing the consolidated financial statements of the Amalgamation to the Member Credit Institutions, with the aim of ensuring its liquidity and capital adequacy. The Union Co-op also supervises the Member Credit Institutions' compliance with applicable rules and regulations in respect of their financial position, any regulations issued by the relevant supervising authorities, their statutes and Articles of Association. The obligation to issue guidelines and exercise supervision does not however give the Union Co-op the power to direct the business operations of the Member Credit Institutions. Each Member Credit Institution carries on its business independently within the scope of its own resources.

Responsibilities of the Savings Banks

According to section 18 of the Amalgamation Act, a company within the Amalgamation may not, in the course of its operations, take any risk of such magnitude that it poses a substantial danger to the consolidated capital adequacy or liquidity of the companies within the amalgamation.

According to section 19 of the Amalgamation Act, companies within the Amalgamation must together have own funds of the minimum amount provided for in Chapter 10, section 1 of the Credit Institutions

Act. The amount shall be calculated in accordance with what is provided for the calculation of consolidated own funds in the CRD IV Regulation.

On joint liability of the Member Credit Institutions, see "*The Amalgamation Act—Joint liability of the Savings Banks Group*".

Consolidated accounts of the Union Co-op and the Member Credit Institutions

The provisions of the Credit Institutions Act apply to the preparation of the Union Co-op's financial statements and consolidated financial statements and audit. A Member Credit Institution is not subject to provisions governing interim and annual reports prescribed by Chapter 12, section 12 of the Credit Institutions Act.

The Union Co-op shall prepare its financial statements based on the accounts of its Member Credit Institutions consolidated into those of the Union Co-op or on the consolidated financial statements, complying with the IFRS. The consolidated financial statements also include institutions over which the above mentioned institutions jointly have control as prescribed in the Accounting Act. The Group's financial statements, prepared by the Union Co-op, are prepared in accordance with the requirements set forth in the Amalgamation Act. In the event that IFRS cannot be applied owing to the special structure of the Amalgamation, the Union Co-op's board of directors shall adopt comparable accounting standards suited to the structure of the Amalgamation.

The Union Co-op's auditors shall audit the consolidated financial statements, by complying with the provisions of the Credit Institutions Act where applicable, which must be presented and notified to the annual general meeting of the Union Co-op.

The Member Credit Institutions shall keep a copy of the financial statements available for public inspection and provide copies thereof in compliance with the provisions under Chapter 12, section 11, subsections 2 and 4 of the Credit Institutions Act. The financial statements of the Union Co-op and its Member Credit Institutions as well as their subsidiaries must be combined to form the consolidated interim and annual reports pursuant, as appropriate, to the provisions of subsection 2 of the Amalgamation Act and Chapter 12, section 12 of the Credit Institutions Act. The Union Co-op's Member Credit Institutions must give a copy of the consolidated interim report to anyone who requests it.

A Member Credit Institution shall provide the Union Co-op with the information necessary for the consolidation of accounts. In addition, the Union Co-op and its auditor shall have the right to obtain a copy of the documents relating to the Member Credit Institution's audit for carrying out the audit of the consolidated financial statements, notwithstanding provisions elsewhere in the law governing confidentiality in respect of the credit institution and its auditor.

Withdrawal and/or expulsion of Savings Banks

In accordance with the Amalgamation Act, a Member Credit Institution may leave the Union Co-op by making amendments to the relevant provisions of its rules or articles of association and by notifying the board of directors of the Union Co-op of this in writing, provided the combined amount of the own funds of the companies remaining in the Amalgamation remains in compliance with section 19 of the Amalgamation Act after the departure of the Member Credit Institution. The decision is only valid if supported by a two thirds majority of the shareholders of the leaving Member Credit Institution. Section 19 of the Amalgamation Act provides that the amount of own funds required for companies within the Amalgamation is set forth in the Credit Institutions Act and calculated in accordance with the CRD IV Regulation. The preservation of solvency must be demonstrated with a calculation verified by the central cooperative's auditors.

A Member Credit Institution may be expelled from the Union Co-op if it has neglected its duties arising from the membership or in case it has, irrespective of a warning issued by the board of directors, failed to comply with the instructions issued by the Union Co-op by virtue of the Amalgamation Act in a manner that significantly endangers the management of liquidity or capital adequacy or the application of the standardised accounting policies or supervision of compliance with said policies, or in case a Member Credit Institution, otherwise acts in material breach of the Amalgamation's general operating principles adopted by the Union Co-op. The decision on the expulsion of a Member Credit Institution shall be

decided by a general meeting of the Union Co-op. The expulsion decision shall be valid only if supported by at least a two-thirds vote given by those at a general meeting of the Union Co-op.

The provisions of the Amalgamation Act on the payment liability of a Member Credit Institution also apply to a credit institution which has left the membership of the Union Co-op, if the payment claim is made to the credit institution less than five years from the end of the calendar year when the credit institution left the membership.

DESCRIPTION OF THE ORIGATION DOCUMENTS

Background

As collateral for the Covered Bonds the Issuer uses the Mortgage Loans intermediated and transferred by the Savings Banks. In addition, part of the loan portfolios intermediated by the Savings Banks in Aktia Real Estate Mortgage Bank plc was transferred through Mortgage Loan portfolio repurchases to the Issuer. For further information, see the section entitled "*Description of the Issuer – History and Development of the Issuer*".

The Issuer has concluded origination agreements (the "**Origination Agreements**") with each of the Savings Banks intermediating loans for the Issuer (the "**Originators**"). The Origination Agreement determines the rights and obligations of the Originator related to originating of Mortgage Loans directly on the balance sheet of the Issuer and selling and assigning Mortgage Loans with pertaining loan security (the "**Loan Security**") from the Originator's balance sheets to the Issuer's balance sheet to be included in the pool of Eligible Assets covering the Covered Bond.

The Mortgage Loan repurchases from Aktia Real Estate Mortgage Bank plc were made pursuant to the terms and conditions of the Transfer Agreement, whereby Aktia Real Estate Mortgage Bank plc sold and assigned to the Issuer and the Issuer purchased and acquired part of the loan portfolio comprising Mortgage Loans with pertaining Loan Security included in the pool of Eligible Assets covering the Covered Bonds.

Origination Agreements

General

The Issuer has entered into an Origination Agreement with each Originator. Pursuant to the terms and conditions of the Origination Agreement, the Originator has the right, as an accountable representative of the Issuer, to grant Mortgage Loans ("**Originated Mortgage Loans**") directly on the balance sheet of the Issuer. The Origination Agreements are also utilised for selling and assigning portfolios of Mortgage Loans ("**Acquired Mortgage Loans**") from the Originator's balance sheet to the Issuer's balance sheet. The Mortgage Loans transferred directly from Aktia Real Estate Mortgage Bank plc's balance sheet to the Issuer's balance sheet pursuant to the Transfer Agreement are also Acquired Mortgage Loans.

Pursuant to the terms and conditions of the Origination Agreements, the Originator shall conduct origination of Mortgage Loans according to the instructions given by the Issuer and the Savings Banks Group (including the Origination Criteria and the Transfer Instructions), which require, inter alia, that each Mortgage Loan transferred to, or granted on, the Issuer's balance sheet and the related Loan Security and the nature and circumstances of the borrower satisfies the requirements of the CBA and the regulations made thereunder. The Originators are responsible for customer identification and customer due diligence and prevention of money laundering and terrorist financing in accordance with the relevant instructions.

The Originators are entitled to a fee for origination and administration of the loans on behalf of the Issuer, which is determined based on the interest of the relevant Mortgage Loan paid to the Issuer deducted with the applicable reference rate and product margin.

Origination Criteria

The Issuer's Board of Directors has adopted instructions for origination of Mortgage Loans on the Issuer's balance sheet (the "**Origination Criteria**"), which is based on the business plan and credit risk strategy approved by the Board of Directors of the Savings Banks Group. The Origination Criteria are supplemented by the local lending instructions of the Originators, which have been prepared based on the principles approved by the Amalgamation. Further, the Originators may supplement the Origination Criteria by their own stricter interpretations of the Origination Criteria. Pursuant to the Origination Agreements, the Originators are required to apply the Origination Criteria to all Mortgage Loans transferred to or originated on the Issuer's balance sheet.

The Origination Criteria may be amended from time to time. The Origination Criteria for the Mortgage Loans applicable as at the date of this Base Prospectus include, without limitation, the following:

- (a) the borrower has legal capacity and, in case of a natural person, is of age;
- (b) each borrower has to be identifiable by a Finnish social security number or business identity number and has to have a credit rating;
- (c) customer's willingness to pay and solvency is confirmed in connection with each credit decision;
- (d) the Loan Security must fulfil the requirements set forth in the CBA and the separate instructions issued by the Board of Directors of the Issuer (for the requirements set forth in the CBA see section of this Base Prospectus headed "*Covered Bond Act—Eligible cover pool assets*");
- (e) the Loan Security must be located in Finland;
- (f) the Acquired Mortgage Loan must be fully drawn;
- (g) the Acquired Mortgage Loan can be neither subject to collection nor subject to any debt reorganisation; and
- (h) there may be no payment defaults in respect of the Acquired Mortgage Loan on the date of transfer.

Transfer Instructions

The Issuer's Board of Directors have adopted instructions for transfer of Acquired Mortgage Loans from the balance sheet of the Originators to the balance sheet of the Issuer (the "**Transfer Instructions**"). The Transfer Instructions specify, among others, the procedures, practices and reporting obligations which need to be complied with and the documentation which need to be prepared in connection with transfers of Acquired Mortgage Loans to the Issuer.

Pursuant to the Transfer Instructions, each Originator is responsible for selecting the Acquired Mortgage Loans to be transferred to the Issuer. The Originator is responsible for ensuring that the Acquired Mortgage Loans, the Loan Security and the borrower fulfil the requirements set forth in the CBA and the Origination Criteria. In case the Acquired Mortgage Loan does not fulfil the requirements under the CBA, and/or the Origination Criteria, the Originator shall repurchase the Acquired Mortgage Loan from the Issuer in accordance with the procedures described in Section "*Mortgage Loans Not Qualifying for the Cover Pool*" below.

Transfer of Loans Pursuant to the Origination Agreements

The transfers of the Acquired Mortgage Loans are conducted by way of change of creditor of the Acquired Mortgage Loans from the Originator to the Issuer. The terms and conditions of the Acquired Mortgage Loans do not change in connection with the transfer and the borrower of the Mortgage Loan is not required to sign any new loan documents. The loan number of the Acquired Mortgage Loan changes in connection with the transfer. The borrower of the Acquired Mortgage Loan is notified about the change of the creditor. The Originator reports the transferred Acquired Mortgage Loans and the details of such loans to the Issuer on a daily basis. The details of the Acquired Mortgage Loans are compiled from the daily reports into a formal transfer list at the end of each month, which is reviewed by the Originator and the Issuer. The transfer list is then utilised as a transfer agreement which is signed by the Issuer and the Originator.

The purchase price payable by the Issuer for each Acquired Mortgage Loan shall be their market value at the time of purchase, in accordance with the requirements of the FIN-FSA.

Legal title to, and all rights and benefits in, each Acquired Mortgage Loan (including but not limited to the benefit of the Loan Security and any guarantee and any payments in respect of the Acquired Mortgage Loan) and all liabilities, risks and obligations, including the credit risk relating to each such Acquired Mortgage Loan, are to the Issuer.

In connection with the transfer, each Originator will, to ensure due transfer of legal title and any related rights and benefits under applicable Finnish law, and execute an endorsement on each promissory note (all such promissory notes sold by the Originators together the "**Promissory Notes**") by referencing the new loan number given to the Acquired Mortgage Loan in connection with the transfer (unless such Promissory Notes are in bearer form). The endorsement evidences that the Acquired Mortgage Loan has been transferred to the Issuer to the effect that it is assigned to the Issuer.

Each Promissory Note is a negotiable promissory note governed by Chapter 2 of the Finnish Promissory Notes Act (Velkakirjalaki 622/1947, as amended). Under this Act, a bona fide assignee of a negotiable promissory note upon delivery (and with respect to nominee notes, endorsement) of such note (with certain exceptions) takes free from defects in the title of prior parties, a borrower's defences and/or claims of the assignor's creditors. Each Promissory Note remains in the custody of the relevant Originator but is held on behalf of the Issuer. As each Originator is a bank, the assignment of the Acquired Mortgage Loans and the Loan Security in accordance with the Transfer Agreements will, nonetheless, pursuant to Section 22, Subsection 2 of the Finnish Promissory Notes Act (Velkakirjalaki 622/1947, as amended), be binding and effective with respect to each Originator's creditors.

Mortgage Loans Not Qualifying for the Cover Pool

The Issuer's risk assessment, compliance and internal supervision functions, which are independent from the Issuer's business operations, seek to ensure efficient and comprehensive internal supervision of the Issuer's lending activities. Further, the Originators conduct internal supervision of the process of originating Mortgage Loans in accordance with their local guidelines which have been prepared on the basis of the Group's internal supervision principles. Although the internal supervision functions of the Issuer and the Originators monitor the processes related to origination and transfers of Mortgage Loans, the Issuer has not made or caused to be made (and will not make or cause to be made) on its behalf enquiries, searches or investigations in relation to each individual Mortgage Loan or Loan Security acquired from or originated by any Originator. Pursuant to the terms of the Origination Agreements and the relevant instructions of the issuer, in the event that an Originator has originated an Originated Mortgage Loan or transferred to the Issuer an Acquired Mortgage Loan against the relevant instructions of the Issuer in such a manner that the said Mortgage Loan does not qualify for the Cover Pool, the Originator that intermediated or transferred the Mortgage Loan shall pay to the Issuer an amount equalling to the undisbursed amount of the principal of the Mortgage Loan, the interest accrued thereon and a repayment fee. Such Mortgage Loan shall be transferred to the Originator by the Issuer. The same procedure is applied to the amendments made by the Originator. Under the Transfer Agreement, Aktia Real Estate Mortgage Bank plc. does not have an obligation to reacquire Mortgage Loans transferred to the Issuer that do not qualify to the Cover Pool. However, the Origination Agreements impose such an obligation on the Originators who originated the Mortgage Loans and transferred such Mortgage Loans to the Issuer.

Further, under the Origination Agreements, the Issuer has the right to suspend the origination of Mortgage Loans by the Originator to the Issuer in circumstances where the Originator does not comply with the relevant instructions and rectify its erroneous behaviour without delay after notified to do so by the Issuer, or where the Originator's solvency ratio falls below certain threshold.

Refinancing Obligation of the Originators

Pursuant to the Origination Agreements, the Issuer is primarily responsible for refinancing of the Mortgage Loans. However, each Savings Bank has, upon the Issuer's request, an obligation to refinance the Mortgage Loans originated from the Issuer's balance sheet to an amount that corresponds to (a) the Savings Bank's portion of the outstanding originated Mortgage Loans required to maintain the overcollateralization level determined by the rating agencies for the Issuer's Covered Bonds and (b) the amount of such parts of the principal amounts of the originated Mortgage Loans which, in accordance with the CBA or the terms of the Programme, are not taken into account in the calculation of the collateral for the Covered Bonds.

Secondary Pledge to the Originator

Pursuant to the Origination Agreement, if the Loan Security is pledged as security for the receivables of the Originator, the Issuer shall, after being informed about such pledge and upon request from the Originator thereof, give a secondary pledge to the Originator in the amount that exceeds the loan capital of the Mortgage Loan.

Services Provided Under the Origination Agreements

Pursuant to the terms of the Origination Agreements, each Originator has agreed as servicer to keep the Promissory Notes and any other documents and instruments relating to the Acquired Mortgage Loans and the Origination Mortgage Loans and the related Loan Security to the Issuer in custody and to receive and collect payments on behalf of the Issuer (each term as defined therein).

Each Originator has agreed to manage, service, administer and make collections on the Acquired Mortgage Loans transferred by it and the Originated Mortgage Loans originated by it and to keep all accounts and records as provided for under the Distribution Agreements, all in accordance with the relevant instructions issued by the Issuer and the Savings Banks Group. The loan files, including the Promissory Notes and Loan Security documents, remain in the custody of each Originator to be held on behalf of the Issuer as provided for under Section 22 of the Finnish Promissory Notes Act (Velkakirjalaki 622/1947, as amended).

Further, each Originator has agreed to collect all amounts due under the Acquired Mortgage Loans transferred by it and Originated Mortgage Loans originated by it when they become due, and take responsibility for the calculating, invoicing, collection and posting of all payments under the Acquired Mortgage Loans and the Originated Mortgage Loans. Any payments made in respect of the Acquired Mortgage Loans originated or transferred by a Savings Bank shall be credited directly from the relevant borrower to the Issuer's bank account, meaning that the payment is not credited via the Originator's account.

Each Originator is required to process requests made by the borrowers to amend the terms of the Acquired Mortgage Loans and the Originated Mortgage Loans. In case the terms of the Acquired Mortgage Loan or the Originated Mortgage Loan do not comply with the instructions issued by the Issuer after the amendment to the loan terms have been made, the Originator shall repurchase the relevant Acquired Mortgage Loan or the Originated Mortgage Loan from the Issuer as described in section "*Mortgage Loans Not Qualifying for the Cover Pool*" above.

The Origination Agreements also impose certain reporting and information obligations on the Savings Banks and includes certain provisions with respect to the Issuer's access to records and accounts.

Termination of Origination Agreements

Each Origination Agreement may be terminated (i) upon the expiry of a 12 months' notice given by the Issuer due to justifiable cause and (ii) upon the expiry of a 6 months' notice given by the Originator. In addition, in case the Originator breaches the instructions issued by the Issuer in a manner which is not immaterial and fails to rectify its faulty proceeding regardless of a written notice served by the Issuer, or in case the Mortgage Loans of the Originator cause materially more credit losses for the Issuer as compared to the Mortgage Loans of other Originators, the Issuer has, after consulting the Union Co-op and the relevant Originator, a right to rescind the Origination Agreement. The Issuer also has a right to rescind the agreement in case the Originator's credit institution licence expires.

Following the termination of the Origination Agreement in accordance with the terms and conditions of the Origination Agreement, the Originator may no longer originate new loans from the Issuer's balance sheet. In other respects the commitments of the Originator under the Origination Agreement shall remain valid for as long as there are outstanding Mortgage Loans originated or transferred by the Savings Banks in the Issuer's balance sheet and the Originator shall be liable for managing the customer service required by the originated or transferred Mortgage Loan portfolio. However, the Savings Bank shall not be liable for processing requests to amend the loan terms made by the borrowers as required by the Origination Agreement but shall provide the Issuer with a presentation of all relevant circumstances related to the borrower's amendment request and the Issuer shall process the amendment request and, if the Issuer approves the request, the Issuer shall prepare documentation required for performing the request and deliver such documents to the Originator. In such case the Originator shall be responsible for duly executing the documentation required for the amendment and obtaining possible documentation evidencing the Loan Security, and return the documentation to the Issuer.

Should an Originator withdraw or be expelled from the Union Co-op and the Amalgamation, the Origination Agreement between the withdrawing or expelled Originator and the Issuer shall terminate automatically and the managing of the Mortgage Loans originated or transferred by such Originator and

the related loan documentation shall be transferred from the withdrawing or expelled Originator to the Issuer or to another Savings Bank appointed by the Issuer. In such case, the withdrawn or expelled Originator shall be obligated to compensate to the Issuer all losses resulting from the Mortgage originated by the Originator. The withdrawn or expelled Originator shall be repaid the amount of refinancing that the Originator has provided for the Issuer once the managing of the Mortgage Loans as well as the loan documentation has been transferred to the Issuer or to another Savings Bank appointed by the Issuer.

CHARACTERISTICS OF THE QUALIFYING COVER POOL

The purpose of the statutory requirements of the CBA are to ensure that the Issuer has sufficient Eligible Assets to produce funds to service any payments of interest and principal due and payable on the Covered Bonds of each Series outstanding under the Programme. The CBA requires the Issuer to continuously ensure that (a) the average term to maturity of Covered Bonds outstanding under the Programme does not exceed the average term to maturity of the collateral assets entered into the Register and (b) the total amount of interest receivable in any given 12-month period on the collateral assets entered into the Register is sufficient to cover the total amount of interest payable on the Covered Bonds outstanding under the Programme (see "*Covered Bond Act*" below).

For the purposes of the asset coverage tests contained in the CBA, the Issuer must ensure that the qualifying Cover Pool may only be comprised of (a) Mortgage Loans and Public-Sector Loans that have been entered into the Register as collateral for the Covered Bonds and (b) Supplementary Collateral.

The Issuer will substitute assets that are, for any reason, no longer eligible for collateral with Eligible Assets in accordance with the CBA.

Investors should note that periodically updated general information in relation to the Cover Pool can be found on the Group's website at the following address: www.saastopankki.fi/debtinvestors. This information gives an overview of the Cover Pool based on statistical reports. The information is updated and published quarterly as well as semi-annually on the same date as the Issuer's half-yearly report is published. In the case of the information relating to the fourth quarter of each financial year, the information is updated on the date of publication of the Issuer's financial statements bulletin for the financial year in question.

Origination Criteria for the Mortgage Loans

For a description of the Origination Criteria for the Mortgage Loans applicable as at the date of this Base Prospectus see section of this Base Prospectus headed "*Description of the Origination Documents—Origination Criteria*". Further, the following lending criteria apply to Mortgage Loans granted to housing companies, which may be included in the Cover Pool:

- a) The Issuer may issue credits (a) to existing housing companies registered with the Finnish Trade Register. At least 60% of the total square area of the apartments, as determined by the housing company's articles of association, must be possessed by the housing company's shareholders.
- b) The housing company must have at least five shareholders, which have to be from different households.
- c) When financing a new housing corporation after the hand-over meeting where the administration of the housing company is transferred from the constructor of the apartments to the housing company's shareholders, half of the apartments must have been sold to the end user(s) pursuant to a binding agreement.
- d) The value of the property pledged as security of the credit issued to the housing company cannot be less than 60 per cent. of the debt-free fair value of the property.

The Cover Pool will not consist of Commercial Property Loans.

Origination Criteria for the Public-Sector Loans

All Public-Sector Loans to be included in the Cover Pool will be either

- (a) granted to the Republic of Finland, a Finnish municipality or to other Finnish public-sector entity which may, when calculating prudential requirements set out in Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 648/2012, be considered equivalent to the Republic of Finland or Finnish municipality; or
- (b) fully collateralised by a guarantee granted by a Finnish public-sector entity referred to in subsection (a) above or by a claim on such Finnish public-sector entity.

COVERED BOND ACT

The following is a brief summary of certain features of the Finnish Covered Bond Act (*Laki kiinnitysluottopankkitoiminnasta 688/2010*) as of the date of this Base Prospectus. The summary does not purport to be, and is not, a complete description of all aspects of the Finnish legislative and regulatory framework for covered bonds. Please also refer to the Risk Factors section on pages 7 to 26 above.

General

The CBA entered into force on 1 August 2010. It enables the issue of covered bonds (*katetut joukkolainat*) are debt instruments secured by a cover pool of qualifying assets (the "**Cover Pool**"). The CBA regulates which assets can be used as collateral for the covered bonds and the quality of such assets. They are issued by credit institutions (such as the Issuer) which are authorised to engage in mortgage credit business (*kiinnitysluottopankkitoiminta*) (each an issuer).

Supervision

The FIN-FSA is responsible for supervising each issuer's compliance with the CBA and may issue regulations for risk management and internal control in respect of mortgage credit business operations. If an issuer does not comply with the provisions of the CBA or the conditions of the licence granted by the ECB, the FIN-FSA shall lay down a period in which the issuer must fulfil any requirements set by the FIN-FSA. If such requirements are not fulfilled within the set period, the FIN-FSA may cancel the issuer's authorisation to engage in mortgage credit business.

Authorisation

Mortgage credit business is a line of banking business which involves the issuing of covered bonds on the basis of loans secured by residential or commercial real estate or shares in Finnish housing companies or real estate companies as well as the acquisition of claims against public-sector bodies. A credit institution must fulfil certain requirements prescribed in the CBA in order to obtain authorisation from the ECB to operate as a credit institution and to engage in mortgage credit business. The credit institution must, among other things, have in place suitable procedures and instruments for managing the risk entailed in holding the cover pool assets and in issuing covered bonds and also prove that it intends to engage in mortgage credit business on a regular and sustained basis. The issuer must have put the appropriate organizational structure and resources into place. Mortgage credit banks whose activities are exclusively restricted to carrying out mortgage credit business may also be authorised to issue covered bonds.

Register of covered bonds

The CBA requires the Issuer to maintain a register (the "**Register**") for the Covered Bonds and the collateral which forms the cover pool assets for the covered bonds. Any Intermediary Loan (see "*Intermediary Loans*" below) shall also be entered in the register. The actual entry of the Covered Bonds and relevant derivative contracts in the register is necessary to confer the preferential right in the cover pool. Further, only assets entered into the register form part of the cover pool.

The register must list, amongst other things, the covered bonds issued by the issuer and the assets in the cover pool and derivative transactions relating thereto along with any bankruptcy liquidity loans entered into on behalf of the issuer. All assets entered in the register shall rank equally as collateral for the covered bonds, unless the collateral has been entered in the register as collateral for specified covered bonds. If a Mortgage Loan, a Public-Sector Loan or any Supplementary Collateral (each term defined below) is placed on the register as collateral for a particular covered bond, the register must specify the covered bond which this collateral covers. Section 22 of the CBA requires that the information shall be entered in the register no later than on the first business day following the issue of the covered bond and information on the granting or acquisition of a Mortgage Loan or public-sector loan or a Supplementary Collateral (see "*Supplementary Collateral*" below) which is placed as collateral for the covered bonds shall be entered in the register no later than one day after granting or acquiring such collateral. Any changes in such information shall be entered in the register without delay (although no specific timeframe is provided for in the CBA). A Mortgage Loan or a Public-Sector Loan shall be removed from the register when it has been fully repaid by the relevant borrower. A loan shall also be removed from the register if it can no longer be deemed to be an eligible asset. A Mortgage Loan, a Public-Sector Loan or any Supplementary Collateral may also be removed from the register, if, after its removal, the remaining

Mortgage Loans, Public-Sector Loans and Supplementary Collateral entered in the register are sufficient to meet the requirements prescribed in the CBA. Accordingly, the cover pool is dynamic in the sense that an issuer may supplement or substitute assets in the cover pool.

The FIN-FSA monitors the management of the register, including the due and proper recording of assets. The information in the register must be submitted to the FIN-FSA regularly.

Eligible cover pool assets

The covered bonds shall be covered at all times by a specific pool of qualifying assets. Eligible assets which are permitted as collateral for covered bonds consist of Mortgage Loans, Public-Sector Loans and Supplementary Collateral, together "**Eligible Assets**", each as defined in the CBA as follows:

Mortgage loans are Housing Loans or Commercial Property Loans ("**Mortgage Loans**").

Housing loans ("**Housing Loans**") are loans secured by (i) mortgageable property for primarily residential purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*Maakaari* 540/1995, as amended); or (ii) shares in a housing company referred to in Chapter 1, Section 2 of the Finnish Act on Housing Companies (*Asunto-osakeyhtiölaki* 1599/2009, as amended) or shares comparable thereto, participations and rights of occupancy; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the European Economic Area (paragraphs (i) to (iii) being "**Residential Property**").

Commercial property loans ("**Commercial Property Loans**") are loans secured by (i) mortgageable property for commercial or office purposes referred to in Chapter 16, Section 1 or Chapter 19, Section 1 of the Finnish Land Code (*Maakaari* 540/1995, as amended); or (ii) shares of a housing company or a real estate company entitling the holder to occupancy of the commercial or office premises; or (iii) collateral comparable to the aforementioned collateral, situated in another State belonging to the European Economic Area (paragraphs (i) to (iii) being "**Commercial Property**" and together with Residential Property, "**Property**").

Public sector loans ("**Public-Sector Loans**") are loans which have been granted to the Republic of Finland, a Finnish municipality or other public sector entity which may, when calculating prudential requirements set out in Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 648/2012, be considered equivalent to the Finnish State or Finnish municipality or a credit which is fully collateralised by a guarantee granted by a public sector entity or a claim on such entity.

At least 90 per cent. of the total amount of collateral shall be Housing Loans or Public-Sector Loans or Supplementary Collateral unless otherwise provided for in the terms and conditions of the Covered Bonds.

Supplementary Collateral may only be used as collateral for covered bonds on a temporary basis and in the circumstances set out in the CBA (see "*Supplementary Collateral*" below).

Derivative transactions entered into by the Issuer to hedge against risks relating to the Covered Bonds or the collateral securing such Covered Bonds must be entered in the Register ("**Derivative Transactions**").

Quality of the cover pool assets

Mortgage lending limit and valuation

A Mortgage Loan entered on the register as collateral for a covered bond may not exceed the current value of the shares or real estate standing as collateral. The current value shall be calculated using good real estate evaluation practice applicable to credit institutions in accordance with provisions on the management of capital adequacy and credit risk of credit institutions issued by the FIN-FSA. The issuer shall regularly monitor the value of the shares or real estate entered as collateral for the covered bonds and revise the value of the collateral in accordance with provisions on the management of capital adequacy of credit institutions issued by the FIN-FSA.

Requirements for matching cover

The CBA seeks to protect covered bondholders by requiring that the outstanding principal amount and net present value of the covered bonds must be covered at all times by matching cover pool assets. This is achieved by Section 16 of the CBA which provides that (a) the total value of cover pool assets must always exceed the aggregate outstanding principal amount of the covered bonds and (b) the net present value of cover pool assets must always be at least 2 per cent. above the net present value of the liabilities under the covered bonds.

According to the preparatory works of the CBA (HE 42/2010), the net present value means, in respect of (a) covered bonds and (b) Mortgage Loans, Public-Sector Loans and Supplementary Collateral, the total value of the future discounted cashflows applying the market rate of interest, prevailing from time to time.

Requirements relating to liquidity

Under Section 17 of the CBA, the issuer shall ensure that the remaining average loan period of the covered bonds does not exceed the remaining average loan period of the loans entered in the register. Further, the issuer shall ensure that the total amount of interest accrued from the cover pool assets, during any 12-month period, is sufficient to cover the total amount payable to the holders of covered bonds as interest and to the counterparties of derivative transactions as payments under such derivative transactions. Before the commencement of liquidation or bankruptcy proceedings against the issuer or a debtor of an Intermediary Loan, a mortgage credit bank may, in respect of collateral granted by a debtor of an Intermediary Loan, treat the interest payments on the Intermediary Loans as being the interest accrued from such collateral.

Determination of requirements under Sections 16 and 17 of the CBA

To determine the value of the cover pool assets in order to provide the matching cover required by Sections 16 and 17 of the CBA, the issuer shall only take into account:

- (a) an amount not exceeding 70 per cent. of the current value of the shares or real estate placed as collateral for any Housing Loan;
- (b) an amount not exceeding 60 per cent. of the current value of the shares or real estate placed as collateral for any Commercial Property Loan; and
- (c) the book value of any Public-Sector Loans and Supplementary Collateral.

Loans that have been entered in the register and which must be booked as non-performing loans at the time of review of such loans in accordance with the regulations issued by the FIN-FSA, shall no longer be included as cover pool assets in calculating the matching cover.

Derivative transactions concluded in order to hedge the covered bonds and any assets provided as collateral for the derivative transaction shall be taken into account for the purposes of Sections 16 and 17 of the CBA.

Supplementary Collateral

Up to 20 per cent. of the aggregate amount of all assets constituting the statutory security for the covered bonds conferred by the CBA may temporarily consist of Supplementary Collateral, provided that receivables from credit institutions shall not exceed 15 per cent. (or such larger amount as may be approved by the FIN- FSA) on the application of the issuer for a specific reason and for a specified period of time), of the total amount of collateral. Supplementary collateral may include: (i) bonds and other debt obligations issued by a central government, a municipality or another public-sector entity or a credit institution (other than one belonging to the same consolidated group as the Issuer); (ii) guarantees granted by a public-sector entity or a credit institution referred to in (i) above; (iii) credit insurance given by an insurance company other than one belonging to the same "group", as defined in the Finnish Act on Supervision of Finance and Insurance Groups (*Laki rahoitus- ja vakuutusryhmittymien valvonnasta* 699/2004, as amended), as the issuer; or (iv) assets of the issuer deposited in the Bank of Finland or a deposit bank; if the issuer is a deposit bank the deposit may not be in a deposit bank belonging to the same consolidated group as the issuer ("**Supplementary Collateral** "). Supplementary Collateral may

temporarily be used in situations where (i) Mortgage Loans or Public-Sector Loans have not yet been granted or registered as collateral for the covered bonds; or (ii) the total amount of collateral does not fulfil the provisions provided for in Sections 16 and 17 of the CBA (see "*Requirements for matching cover*" above).

Intermediary loans

The CBA allows deposit banks and credit societies to participate indirectly in the issue of covered bonds by means of intermediary loans granted by a mortgage credit bank to such institutions (an "**Intermediary Loan**"). The Intermediary Loan shall be entered in the register but shall not form part of the cover pool assets of the covered bonds. In addition the borrower of the Intermediary Loan shall provide collateral in the form of Mortgage Loans and Public-Sector Loans to be registered in the register as security for the covered bonds of the mortgage credit bank. The total priority value of such loans in the cover pool shall always exceed the principal amount of the Intermediary Loan. Upon the liquidation or bankruptcy of the issuer, the estate of the issuer will be entitled to collect any proceeds from such loans and enter such proceeds in the register as security for the covered bonds. Moreover, the issuer's estate may demand a transfer of title of the loans to the estate or a named third party.

Derivatives

The issuer may enter into derivative transactions to hedge against the risks relating to covered bonds or their underlying collateral. Details of any such derivatives must be entered in the register.

Set-off

A creditor of the issuer may not set-off its claim against a Mortgage Loan or a Public-Sector Loan entered in the register if it is within the scope of the priority of payment of the holders of covered bonds as provided for in Section 25 of the CBA nor against an Intermediary Loan.

Prohibition on transfers, pledges, execution and precautionary measures

The issuer or the debtor under an Intermediary Loan may not, without the permission of the FIN-FSA, assign or pledge Mortgage Loans or Public-Sector Loans which are included in the cover pool assets. A mortgage credit bank may not assign or pledge any Intermediary Loan without the permission of the FIN-FSA. An assignment or pledge violating such prohibition shall be void.

A Mortgage Loan, a Public-Sector Loan or any Supplementary Collateral entered in the register as collateral for a covered bond or an Intermediary Loan may not be taken in execution for a debt of an issuer, a deposit bank or a credit society nor may precautionary measures be directed at it.

Preferential right in the event of liquidation or bankruptcy

Under Finnish law, "*selvitystila*" (or "liquidation" in English) means either a voluntary winding up of a company or a winding up pursuant to specific provisions of Finnish law and "*konkursi*" (or "bankruptcy" in English) means the mandatory winding up of a company in the event of its insolvency.

Under Section 25 of the CBA, notwithstanding the liquidation or bankruptcy of the issuer, a covered bond shall be paid until its maturity in accordance with the terms and conditions of the covered bond from the funds accruing on the cover pool assets of the covered bond before other claims. The funds accruing from collateral for covered bonds after the commencement of liquidation or bankruptcy proceedings against the issuer shall be entered in the register as collateral for such covered bonds. In bankruptcy proceedings the bankruptcy administrator must ensure due maintenance of the register.

Collateral entered in the register in accordance with the CBA may not be recovered pursuant to Section 14 of the Finnish Act on Recovery of Assets to a Bankruptcy Estate (*Laki takaisinsaannista konkurssipesään* 758/1991, as amended).

In respect of each Mortgage Loan included in the cover pool for a covered bond, the priority of payment right in accordance with Section 25 is limited to a maximum amount which corresponds to 70 per cent. in respect of Housing Loans and to 60 per cent. in respect of Commercial Property Loans of the current value of shares or real estate which stand as collateral for the loan as entered in the register at the time of commencement of liquidation or bankruptcy proceedings against the issuer. The bankruptcy administrator

shall assign the share of payments out of any Mortgage Loan exceeding the preferential right to the general bankruptcy estate. According to the preparatory works of the CBA, payments deriving from loans to be booked as non-performing and proceeds from disposal of loans or enforcement of collateral shall nonetheless, firstly be used for payment of covered bonds up to their preferential portion.

What is set out above in respect of Section 25 of the CBA applies *mutatis mutandis* to the counterparties of the derivative transactions entered in the register and to the providers of any loan securing liquidity for the issuer in liquidation or bankruptcy (each such loan being a "**Bankruptcy Liquidity Loan**"). These parties have an equal right with the holders of the covered bonds to payment from the funds, entered in the register as collateral for the covered bonds, and from the payments relating to them, and accordingly, such derivative transactions and bankruptcy liquidity loans rank *pari passu* with the covered bonds with respect to such cover pool assets.

The bankruptcy administrator may, upon the demand or with the consent of the supervisor appointed by the FIN-FSA (see *Management of cover pool assets during the liquidation or bankruptcy of the Issuer*), transfer collateral entered in the register of covered bonds to the issuer's general bankruptcy estate, if the value and the net present value of the cover pool, as provided for in Section 16 of the CBA, considerably exceed the total amount of the covered bonds and it is apparent that the collateral to be transferred shall not be necessary to fulfil the obligations in respect of the covered bonds, derivative transactions and bankruptcy liquidity loans.

Management of cover pool assets during the liquidation or bankruptcy of the Issuer

When the issuer has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall, without delay, appoint a supervisor in accordance with Section 29 of the Finnish Act on the Financial Supervisory Authority (*Laki finanssivalvonnasta* 878/2008, as amended) to protect the interests of creditors of covered bonds and creditor entities comparable to such and to enforce their right to be heard (a "**supervisor**"). The supervisor shall, in particular, supervise the management of the collateral for the covered bonds and their conversion into cash as well as the contractual payments to be made to the holders of the covered bonds. The person to be appointed as a supervisor shall have sufficient knowledge of financing and legal issues with regard to the nature and scope of the duties.

In bankruptcy proceedings the courts will by operation of law appoint a bankruptcy administrator to administer the bankruptcy estate. The cover pool will be run by the bankruptcy administrator, but the supervisor will supervise the bankruptcy administrator, acting in the interest of the holders of the covered bonds. Under Section 26 of the CBA, a bankruptcy administrator shall, upon the demand or with the consent of the supervisor, conclude derivative transactions necessary for hedging against risks relating to covered bonds and the relevant collateral as well as, where necessary, sell a sufficient amount of collateral for the covered bond in order to fulfil the obligations relating to the covered bond. In addition, a bankruptcy administrator shall, upon the demand or with the consent of the supervisor, have a right to conclude contractual arrangements to secure liquidity or take out bankruptcy liquidity loans.

Funds which accrue on the collateral of covered bonds after the commencement of liquidation or bankruptcy of the issuer and the bank accounts related to the collateral and its income shall be entered in the register. Correspondingly, a bankruptcy liquidity loan taken under Section 26 of the CBA and each bank account into which any such funds are deposited shall be entered in the register.

The bankruptcy administrator may, with the permission of the FIN-FSA, transfer the liability for a covered bond and the corresponding collateral to another mortgage credit bank, deposit bank or credit entity that has acquired a licence to issue covered bonds or to a foreign mortgage credit bank which is subject to supervision corresponding to that of the CBA unless the terms of the covered bond provide otherwise.

A bankruptcy administrator has the right to terminate or transfer a derivative transaction to a third party on the demand or with the consent of the supervisor, provided that the collateral is transferred or converted into cash, or a right to transfer collateral to the counterparty in the derivative transaction when the interests of the holder of the covered bonds demands such and it is reasonable from the perspective of risk management.

If the requirements for the cover pool of the covered bonds, as provided for in Sections 16 and 17 of the CBA, cannot be fulfilled, the bankruptcy administrator must, upon the request or approval of the supervisor, accelerate the covered bonds and sell the cover pool assets in order to pay the covered bonds.

Management of cover pool assets upon the liquidation or bankruptcy of the debtor of an Intermediary Loan

When the debtor of an Intermediary Loan has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall without delay appoint a supervisor to protect the interests of the holders of covered bonds issued by the issuer standing as the creditor of the Intermediary Loan and will have a right to enforce the holders' right to be heard. The supervisor must, in particular, supervise the management of the collateral for covered bonds and its conversion into cash as well as oversee the contractual payments to be made to the holders of covered bonds and other parties comparable to such holders. Notwithstanding the liquidation or bankruptcy of the debtor of the Intermediary Loan, the issuer's obligations under the covered bond must be paid for the full term of the covered bond, in accordance with its contractual terms, from the collateral entered in the register before other claims can be met, and following, where applicable, what is provided for in Section 25 of the CBA in respect of payment priority.

When the debtor of the Intermediary Loan is in liquidation or bankruptcy, the bankruptcy administrator shall upon the supervisor's demand or with his consent:

- (a) sell to the issuer the Mortgage Loans or Public-Sector Loans, included in the collateral of its covered bond, in such a manner that the substitute claim is set-off partially or wholly against the claim under the Intermediary Loan of the issuer; or
- (b) if necessary, sell to a third party a sufficient amount of collateral for a covered bond to comply with its obligations under the covered bond.

THE FINNISH HOUSING MORTGAGE MARKET

The information provided below has been derived from publicly available information on the Finnish housing mortgage market.

Introduction

Commercial lenders are the principal originators of residential mortgage loans in Finland. Residential mortgage lending tends to be primarily secured on residential properties, although lending to municipality-owned housing companies may also be backed by municipal guarantees.

Lending for single family houses typically takes the form of one or more mortgage loans with an aggregated Loan-to-Value Ratio of up to 75 per cent. Loans with a Loan-to-Value Ratio of up to 85 per cent. or 90 per cent. where the borrower also receives an interest subsidy from the Finnish State are also available by using a state guarantee. In this situation additional collateral or guarantees are usually required.

Finnish mortgage loans may have a fixed or variable rate of interest, although loans with variable rates of interest are the most commonly originated at the date of this Base Prospectus. Interest rates for fixed loans are typically set for a period of 3 or 5, or occasionally 10 or 15 years. For variable rate loans, the interest is determined as a variable margin over 1-month, 3-month, 6-month or 12-month EURIBOR interest rates or over prime rates set by the banks. The Finnish Consumer Protection Act (*Kuluttajansuojalaki 38/1978*), as amended (see "*Regulatory Framework*" below), does not impose limitations on the margin or nominal rate of interest that may be set on a consumer loan. While there are no specific rules limiting rates of interest (other than in respect of default interest), the general principles of equity under Finnish law also apply.

Mortgage Lenders in Finland

Mortgage lenders in Finland provide a range of financing for single family homes and for terraced houses or flats (which are commonly owned by housing companies). They also provide financing for business and commercial property. According to the statistics published by the Federation of Finnish Financial Services as at 31 December 2016, the market shares of Finnish financial institutions of the total housing loans to households were as follows:

Financial Institution*	Housing loans to households** (EUR, in millions)	Market share (per cent.)
OP Group	37,054	39.4%
Nordea Bank Finland Plc Group**	27,866	29.6%
Danske Bank Ltd	10,852	11.5%
Handelsbanken Group	2,788	3.0%
Aktia Bank p.l.c. Group	4,089	4.4%
Savings Banks Group****	3,690	3.9%
POP Banks	1,821	1.9%
Ålandsbanken Abp	1,379	1.5%
Hypo Group	595	0.6%
Others	3,864	4.1%
Financial institutions together	93,998	100.0%

* OP-Pohjola-Group: Pohjola Bank plc, Helsingin OP Bank Ltd, Op Card Company plc, OP Mortgage Bank, OP Process Services Ltd and member cooperative banks. Nordea Bank Finland Plc Group (see ** below): Nordea Bank Finland plc and Nordea Finance Finland Ltd. Danske Bank: Danske Bank plc and Danske Bank A/S, Helsinki Branch. Handelsbanken Group: Svenska Handelsbanken AB (publ), filialverksamheten i Finland, Handelsbanken Finans Abp, Handelsbanken Finans Aktiebolag (publ), filialverksamheten i Finland and Stadshypotek AB (publ), filialverksamheten i Finland. Aktia Bank Plc - group: Aktia Bank plc and Aktia Real Estate Mortgage Bank plc. (Savings Bank Vöyri and Saaristo Savings Banks merged to Aktia and are included in figures). Savings Banks Group: Savings Banks and Central Bank of Savings Banks Finland Plc (excluding Oma Savings Bank, which included in "others"). POP Banks: POP Banks and Bonum Bank Ltd.

** Correct as of 31 December 2016. Nordea Bank Finland Plc was merged with the Swedish parent company Nordea Bank AB (publ) on 2 January 2017. As a result, all assets and liabilities of Nordea Bank Finland plc were transferred to Nordea Bank

AB (publ) and Nordea Bank Finland Plc was dissolved. Nordea Bank AB (publ) currently carries out banking business in Finland through Nordea Bank AB (publ), Finnish Branch.

*** Households also include non-profit institutions serving households.

**** Housing loans granted by Sp Mortgage Bank Plc are excluded from the Savings Banks Group and included in "others".

Material Legal Aspects of the Mortgage Loans

Form of the Mortgage Certificates

A mortgage loan may be secured by the pledge of one or more mortgage certificates (*kiinteistöpannikirja*) (such mortgage certificates that have been pledged as security for a loan, together, the "**Mortgage Certificates**"), evidencing a mortgage over a property (or a portion thereof) owned by a borrower or Security Provider as provided for in Chapter 15, sections 1 and 2 of the Finnish Land Code (*Maakaari* 540/1995), as amended. Mortgage certificates are either physical documents or electronic records in the register of title and mortgages (*lainhuuto- ja kiinnitysrekisteri*).

The security interest over real estate is created by executing a pledge agreement, and, in respect of physical mortgage certificates, delivering these to the pledgee (or a third party sufficiently remote from the pledgor and acting on behalf of the pledgee) to be retained by the pledgee or the third party sufficiently remote from the pledgor and acting on behalf of the pledgee throughout the security period or, in respect of electronic mortgage certificates by means of registering the pledgee as registered recipient of the electronic mortgage certificate (*sähköisen panttikirjan saaja*). In the event that mortgages have not been registered on the pledged property or the principal amount of registered mortgages is insufficient to cover the amount of the relevant secured obligation, an application for the registration of (additional) mortgages is submitted to the National Land Survey of Finland (*Maanmittauslaitos*) by the owner of the pledged property (or the pledgee, authorised by the owner of the pledged property). The National Land Survey registers the mortgage in the register of title and mortgages and prepares a mortgage certificate, which is then delivered or assigned directly to the pledgee or in respect of electronic mortgage certificates, registered with the pledgee as the registered recipient. The Finnish Land Code further recognises the creation of security interests by notification to a third party holder of a Mortgage Certificate, whether the Mortgage Certificate is in written or in electronic form.

The transition into using exclusively electronic mortgage certificates has been approved by Finnish parliament by amendments to the Finnish Land Code of which have entered into force on 3 June 2016. Mortgage certificates for new mortgages will be issued only in electronic form starting from 1 June 2017. In addition, after such date, when making changes to mortgages, the National Land Survey of Finland will automatically convert written mortgage certificates into electronic form in connection with processing of the proposed change. Physical mortgage certificates issued before 1 June 2017 may, however, remain in use. Any mortgage security interest established by means of physical Mortgage Certificates before 1 January 2020 will remain effective until its expiry by conventional means, for instance by payment of debt. However, physical Mortgage Certificates can no longer be used to establish new security interests after 1 January 2020.

Form of the Pledge over Housing Company Shares

A mortgage loan may also be secured by a pledge of shares in a housing company which is a company incorporated in Finland and referred to in Chapter 1, Section 2 of the Finnish Act on Housing Companies (*Asunto-osakeyhtiölaki* 1599/2009), as amended. A pledge of shares in a housing company, which shares entitle the holder to possess a separate dwelling unit (such shares that have been pledged as security for a loan, together, the "**housing company shares**") is effected by executing a pledge agreement, delivering the share certificate evidencing such shares to the pledgee (or a third party sufficiently remote from the pledgor and acting on behalf of the pledgee) and the retention of such share certificate by the pledgee or the third party sufficiently remote from the pledgor and acting on behalf of the pledgee throughout the security period.

Enforcement Procedures

Introduction and general principles of Finnish law in respect of enforcement

Enforcement of obligations, including receivables such as the mortgage loans, under Finnish law typically requires that the creditor first obtains a judgment or arbitral award ordering the particular obligations to

be satisfied (for example, for a debt to be paid) after which the actual enforcement is carried out by a district bailiff in a procedure regulated by Finnish law.

The principles of equity and statutory limitation may restrict the creditor from obtaining a judgment or arbitral award. Pursuant to the Finnish Contracts Act (*Laki varallisuus oikeudellisista oikeustoimista* 228/1929), as amended and the Consumer Protection Act (*Kuluttajansuojalaki* 38/1978), as amended, if a contract term is unfair or its application would lead to an unfair outcome, the term may be adjusted or set aside. Consequently, enforcement of obligations may be limited by general principles of equity; in particular, equitable remedies (such as an order for specific performance or an injunction) are discretionary remedies and may not be available under the laws of Finland where damages are considered to be an adequate remedy. For a more detailed description of the provisions of the Consumer Protection Act, see the section of this Base Prospectus headed "*Description of the Finnish Residential Mortgage Market—Regulatory Framework*".

Under the Finnish Act on Barring of Debts by the Statute of Limitations (*Laki velan vanhentumisesta* 728/2003), as amended, debt obligations are subject to statutory limitation, which become effective on the earlier of:

- (a) the date falling 3 years from the date when the payment obligation becomes due and payable or, if the parties had not agreed on a certain date when the payment obligation would have fallen due and payable, the date falling 3 years as of the date when the seller has delivered the object of the sale to the purchaser or the party acting as the creditor has fulfilled its own contractual obligation;
- (b) the date falling 3 years from the date on which the relevant non-breaching contracting party became or should have become aware of a breach of contract; or
- (c) in non-contractual matters, the date falling 10 years from the date on which the non-breaching party became or should have become aware of the damage and of the liable party; or
- (d) in case of a damage claim, the date falling 10 years from the date on which such breach occurred.

Where a creditor has been granted a security interest to secure its receivable, the enforcement procedure depends on the type of the asset securing the receivable.

Enforcement of a Pledge over Receivables

Under Finnish law, the creditor has full discretion over the method of enforcement if not otherwise separately agreed. In the case of receivables, these methods may include collecting payment from the debtor or selling the receivable to a third party. However, mandatory legislation requires that the pledgee must act diligently and give due consideration to the pledgor's justified interests when liquidating the asset, which in practice means that the asset may not be sold at clearly less than its market value. Regardless of the method of liquidation, any proceeds in excess of the amount of the creditor's receivable shall be returned to the pledgor.

Enforcement of a Pledge of Mortgage Certificates

Enforcement of a pledge of mortgage certificates must be carried out through an enforcement procedure in accordance with the Finnish Execution Code (*Ulosottoaari* 705/2007), as amended.

A creditor wishing to enforce a claim secured by a pledge of Mortgage Certificates can either:

- (a) apply to the bailiff for enforcement of its claim without requesting enforcement against any specific assets, thereby leaving the decision concerning the target and method of the enforcement up to the bailiff, in which case the creditor's claim will have the priority described below in a sale of the property; or
- (b) apply to the bailiff for enforcement action directed specifically at the property by virtue of the mortgage loan (this must be preceded by obtaining a separate decision from the relevant District Court to enforce the mortgage claim).

In the case of an application in accordance with paragraph (B) above and, to the extent that enforcement action under paragraph (A) above results in an attempt to sell the property, the bailiff may choose either to organise a public auction or, **provided that** certain requirements are met, such as it is agreed upon by all parties to the proceedings, to sell the property by other means, for example, a private sale by a real estate agent.

In the case of a public auction, the bailiff will make a public announcement that the property shall be auctioned and send invitations to all secured creditors. In doing so, the bailiff will request that the secured creditors inform the bailiff in writing whether they desire to be paid from the proceeds of the auction or whether they are satisfied with the fact that their mortgage shall continue to encumber the property after it is sold. If there is any uncertainty concerning the secured creditors, e.g. where some of them are not known to the bailiff or cannot be reached, the bailiff will typically summon a meeting to be held before the public auction. As a supplement to the information available in public registers and the debtor's obligation to provide information to the bailiff, this meeting is a way of obtaining information concerning the secured creditors. A notice to convene the meeting is sent to all known parties, including all known mortgage holders, and is published in a local newspaper and, if necessary, in the Official Gazette in Finland. As a result of this meeting, the bailiff will prepare a list of all parties involved and their respective rights and claims. Any claim of an unknown secured creditor not represented at the meeting shall be included in the list as a conditional claim with an amount corresponding to the registered amount of the relevant mortgage. This list must be delivered to all relevant parties in good time (normally, a few days) before the public auction takes place.

Based on the amount and priority of mortgages registered over the relevant property, the bailiff shall determine the lowest acceptable bid, which must be received from the property in question from its sale in the auction. To determine the lowest acceptable bid, the bailiff shall arrange the mortgages on such property in an order of priority typically based on the dates on which the mortgages were registered with the Finnish Title and Mortgage Register (*lainhuuto- ja kiinnitysrekisteri*). The lowest acceptable bid must cover the enforcement costs and the aggregate amount of mortgages, which rank higher in priority than the mortgage that is being enforced. The bailiff may not accept a bid if it is clearly lower than the market value of the property.

Mortgages shall terminate upon the sale unless the property has been sold encumbered or the secured debt has been otherwise assumed. If no acceptable bids are received, another auction or a sale by other means shall be organised unless the creditor requesting the first sale objects to this. The requirement concerning the lowest acceptable bid can be set aside by agreement between all secured creditors.

If a secured creditor has not duly notified the bailiff in writing of the mortgage and made a request for payment in the above meeting held by the bailiff, the relevant mortgage will not continue to encumber the property following the auction. In such case, the bailiff will hold a certain portion of the proceeds received from the auction of the property for the benefit of such secured creditor, for up to two years from the sale of the property at the auction becoming effective. Unless that secured creditor notifies the bailiff of its claim within that period, the remaining proceeds will be disbursed to the other creditors. If the secured creditor has notified the bailiff in writing of the mortgage, the secured creditor will have priority in relation to the unsecured creditors as regards the proceeds accruing from the auction of the property. The secured creditor may also agree with the purchaser that the property is sold encumbered in which case the purchaser assumes the liabilities of the debtor towards the secured creditor and the mortgage will become effective against the purchaser and secure the assumed liabilities.

Enforcement of a Pledge over Housing Company Shares

In respect of housing company shares, the creditor has full discretion over the means of enforcing the security and realising the asset. Such discretion is, however, limited, *inter alia*, by the statutory invalidity of a provision providing that title to the pledged asset shall, upon default, automatically transfer to a pledgee. Furthermore, the pledgee always has a duty to ascertain that the interests of the borrower, the pledgor and other creditors of the borrower and of the pledgor are not unduly jeopardised due to the actions taken by the pledgee. Under the standard terms of the pledge agreements used by the pledgee, a pledged object may not be realised unless the pledgor is notified that the object will be realised unless payment is received within a month (or, if the pledged object is shares, such as housing company shares entitling to the possession of the pledgor's residence, two months). If payment is not received within the given time, the pledged object may be sold by public auction, by a real estate agent or by other appropriate means. Pursuant to mandatory provisions of Finnish law, if the apartment occupied pursuant

to the pledged housing company shares is used primarily as a private residence by the pledgor, the pledged housing shares may not be realised until two months have lapsed after the pledgor was notified that the object will be realised unless payment is received. The realisation may not be started before the expiry of the statutory two-month period has expired, and any term of an agreement that is inconsistent with the pledgor's statutory right is null and void.

Effects of insolvency proceedings on the enforcement process

If insolvency proceedings are commenced with regard to the pledgor during the enforcement process, the enforcement process may be cancelled or postponed in accordance with mandatory Finnish legislation. Assuming that the pledgor is a private person, available insolvency proceedings include bankruptcy proceedings and restructuring of private person's debts.

In bankruptcy proceedings a creditor holding a security is entitled to continue the separate enforcement process only after the administrator of the bankruptcy estate of the pledgor has been offered a possibility to review the pledge and to oversee the best interest of the creditors in general. Under certain circumstances specifically provided under the law, the bankruptcy estate of the pledgor may require from the District Court that the pledged object shall be realized notwithstanding the pledgee's will.

If a debt restructuring proceedings concerning the pledgor as a private person is commenced, a stay of enforcement and debt collection actions will be effective as per the commencement day. Such a stay will cover any actions aimed to collect receivables from the pledgor including the enforcement of a pledge. The payment programme typically includes realization of debtor's assets to cover the debts. However, certain assets as the flat where the debtor resides are normally considered to fall under so called basic security assets which cannot be realized except for certain exceptional circumstances.

Regulatory Framework

Banking activities in Finland are subject to extensive regulation, primarily, under the Finnish Act on Credit Institutions (*Laki luottolaitostoiminnasta* 610/2014), as amended, which implements the requirements of the relevant EU directives pertaining to banking legislation. Furthermore, banking activities are governed by the regulations issued by the FIN-FSA. Activities of credit institutions (as such activities are defined in the Finnish Act on Credit Institutions) are subject to prior authorisation by the ECB pursuant to the Finnish Act on Credit Institutions.

Business activity where repayable funds (e.g. deposits) are accepted from the public, credit and other financing is offered by an entity for its own account or electronic money is issued (for example, a monetary value recorded on an electronic device or system and accepted as payment by one or more enterprises), is generally referred to as credit institution activity (*luottolaitostoiminta*).

Pursuant to the Finnish Act on Credit Institutions, credit institutions and holding companies of credit institutions are supervised by the FIN-FSA. Notwithstanding this, the ECB shall have the responsibilities in relation to the tasks defined in Chapters 3 and 6 through 11 of the Act on Credit Institutions for the supervision of the credit institutions which have been conferred to the ECB pursuant to Council Regulation (EU) no 1024/2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (such credit institutions including (without limitation) the Issuer). The supervision mainly consists of monitoring credit institutions' financial standing and risk management. Furthermore, the Finnish Act on Credit Institutions governs the process of applying for a licence to conduct credit institution activity, the provisions for granting the licence as well as cancelling thereof, the financial conditions to be met by the credit institution, the general procedures to be followed in conducting the business and contains the provisions on sanctions in case of a breach of its regulations.

A credit institution has to qualify for the general conditions which relate to conducting credit institution activity set out in the Finnish Credit Institutions Act. Furthermore, the FIN-FSA will verify the trustworthiness of a founder or a major shareholder. A person is not deemed trustworthy if he/she has been convicted of a crime five years preceding the assessment or received a fine three years preceding the assessment which can be deemed to indicate, or has otherwise demonstrated, that he/she is manifestly unsuitable as a founder or a shareholder of a credit institution.

Credit institutions may only carry out the business activities listed in the Finnish Act on Credit Institutions, which for deposit banks include, receiving deposits and other repayable funds from the

public, raising funds, granting or arranging credit and other financing, financial leasing and general transfer of payments. In addition, a Finnish credit institution must have its head office in Finland as well as at least one permanent place of business. In case a credit institution intends to outsource a part of its critical functions' (as defined in the Finnish Act on Credit Institutions) after receiving authorisation, the FIN-FSA must be informed in advance. A credit institution shall further ensure that no close link, such as an ownership interest of more than 20 per cent. or an equivalent degree of control, between the credit institution and another legal person or a natural person shall prevent the efficient supervision of its operations. The Finnish Act on Credit Institutions provides that certain qualifying acquisitions of shares in a credit institution require a prior filing with the FIN-FSA. If a credit institution belongs to a consolidated group not governed by Finnish law, the ability of a foreign authority to adequately supervise the group forms a prerequisite for granting the authorisation required in Finland.

The members and deputy members of the board of directors as well as the managing director and deputy managing director must be trustworthy persons who are not bankrupt and whose capacity has not been restricted.

The share capital, co-operative capital or basic capital of a deposit bank (*talletuspankki*) and a financing institution (*luottoyhteisö*) may not be less than five million euro. The share capital or co-operative capital of an electronic money institution (*sähkörahayhteisö*) may not be less than EUR 350,000.

A credit institution and an undertaking belonging to its consolidated group may not, in the course of their operations, incur a risk that materially jeopardises the solvency or consolidated solvency or the liquidity of the credit institution. A credit institution and an undertaking belonging to its consolidation group must have adequate internal controls and adequate risk management systems as well as adequate liquidity considering the scope and scale of its operations.

The CBA enables the issue of covered bonds (*katetut joukkolainat*) which are debt instruments secured by a cover pool of eligible assets. Covered bonds may be issued by credit institutions (such as the Issuer) which are authorised to engage in mortgage credit business (*kiinnitysluottopankkitoiminta*). A credit institution must fulfil certain requirements prescribed in the CBA in order to obtain authorisation from the FIN-FSA to engage in mortgage credit business. The credit institution must, among other things, have in place suitable procedures and instruments for managing the risk entailed in holding the cover pool assets and in issuing covered bonds and also prove that it intends to engage in mortgage credit business on a regular and sustained basis. The issuer must have put the appropriate organisational structure and resources into place.

Consumer Protection

Under the Finnish Consumer Protection Act (*Kuluttajansuojalaki 38/1978*), as amended, all consumer credit agreements (*kuluttajaluottosopimus*) must be concluded in writing or if concluded electronically, in a manner whereby the consumer may record and reproduce the agreement unaltered. Before concluding the credit agreement the creditor must assess the consumer's creditworthiness on the basis of sufficient information taking into account consumer's income and other financial circumstances. The creditor must ensure that the information is up to date if the parties agree to change the total amount of credit or increase the credit limit after the conclusion of the credit agreement and assess the creditworthiness of the consumer again before any significant change to the total amount of credit or increase in the credit limit. Further, the Finnish Act on Credit Information (*Luottotietalaki 527/2007*), as amended, contains provisions on processing credit information about persons.

Pursuant to the Finnish Consumer Protection Act and the Governmental Decree on the information to be given to consumers in credit agreements (*Valtioneuvoston asetus luottosopimuksesta kuluttajalle annettavista tiedoista 789/2010*), issued thereunder, the consumer credit agreement must include, among others, the following information: (i) the type, amount or limit of the credit and conditions governing the drawdown; (ii) the interest rate, the basis for determining the interest rate and other conditions regarding the interest as well as other costs relating to the granting and use of the credit; (iii) the duration of the credit agreement or, if the credit is to be paid in instalments, the amount, number and frequency of payments; (iv) the aggregate amount payable by the consumer, the annual percentage rate or charge (effective interest rate) calculated by dividing all costs, interest and charges payable on the credit during the credit period taking into account scheduled repayment instalments, and all assumptions used in order to calculate the rate at the time of concluding the credit agreement; (v) the right of early repayment, and, information concerning the creditor's possible right to compensation and the way in which that

compensation will be determined as well as guidance for the use of the right of early repayment; and (vi) the interest rate applicable in the case of late payments and the arrangements for its adjustment and where applicable, any charges payable for default. The consumer must not be charged any payment, interest, fee or compensation that is not included in the terms and conditions of the consumer credit agreement.

The terms of a consumer credit agreement may stipulate that the interest rate payable on the credit shall vary in accordance with a reference rate, which shall be public and based on matters not dependent on the unilateral decisions of the creditor. The consumer must be notified of changes in the interest rate on a durable medium. When notifying the consumer of such change, the consumer must also be notified of the amount of payments after any changes and change in the number and frequency of payments, if applicable. In respect of housing credits, the consumer must, instead of the number of payments, be notified of current information regarding the last payment date.

In case housing credit is taken out by means of distance selling, a consumer has the right to cancel a consumer credit agreement by notifying the creditor in a durable medium within 14 days of entering into the agreement or a later date on which the consumer receives a written or electronic credit agreement. In case the consumer cancels the credit agreement, the creditor may request a compensation for the cancellation of the credit if the consumer has been notified of the cancellation compensation before the conclusion of the agreement. The creditor has the right to claim as compensation the amount paid as effective interest rate for the time during which the credit has been available to the consumer.

A consumer has the right to repay the consumer credit in full or in part before it matures. In such case, the consumer is entitled to a reduction in the total cost of the credit attributable to the remaining duration of the credit. The creditor is, however, entitled to recover its arrangement fee in full if the fee has been specified in the agreement. The consumer has the right to decide towards which of several receivables of the same creditor his/her payment is applied. In the event of early repayment, the creditor is also entitled to compensation from the consumer, **provided that** the interest of the credit is not linked to a reference rate, *i.e.* the early repayment falls within a period for which the interest rate is fixed. Such compensation may not exceed 1 per cent. of the amount of credit repaid early, if the period of time between the early repayment and the agreed termination of the credit agreement exceeds one year. If the period one year, the compensation may not exceed 0.5 per cent. of the amount of the credit repaid. The creditor may, however, only claim the amount equal to the interest for the period between early repayment and the expiry of the credit agreement as compensation. In any event, compensation for early repayment may not be claimed, if, the amount of the repayment within the last period of 12 months has not exceeded EUR 10,000; the repayment is made under an insurance contract intended to provide a credit repayment guarantee; or, if the repaid credit is based on a credit agreement related to a current account.

As regards housing credits, the creditor is entitled to compensation for early repayment if the amount of the credit exceeds EUR 20,000 and the interest of the credit is either fixed or, if variable in accordance with a reference rate, determined over a period of 3 years or more. Such compensation may not exceed the amount of loss resulting from a decline in the interest rate for the remaining credit period for fixed interest rate loans or the determination period of a reference rate. The FIN-FSA may issue further guidance on the method for calculating the loss.

If the creditor has a contractual right to, upon a consumer's payment default or other breach of contract, declare the credit or a part thereof prematurely due and payable or to enforce any other specific sanction, the creditor may enforce such a right only if the payment has not been made within one month from its due date and remains outstanding and if the defaulted payment constitutes at least 10 per cent. of the original principal amount of the credit or, if the payment default concerns more than one instalment, at least 5 per cent. of the original principal amount of the credit or if it concerns the total remaining balance of the credit. The creditor may also enforce such right on a material breach of contract (other than non-payment) by the consumer. Notwithstanding the aforementioned thresholds, the creditor may enforce its right if the payment has not been made within six months and remains substantially outstanding.

The creditor does not have any right to declare the credit or a part of the credit prematurely due and payable, if the payment default resulting in such right is due to the consumer's illness, unemployment or any other corresponding reason that is not attributable to him, except where this would be evidently unreasonable to the creditor taking into account the length of the delay and other circumstances.

The creditor may declare the credit or a part of the credit prematurely due and payable, subject to giving four weeks' prior written notice to the borrower or, if the borrower has already been notified of the

payment default or another breach of contract, with a two-week prior notice. If the consumer pays the unpaid amount or rectifies the other breach during the said notice period, the acceleration shall lapse.

Credit agreement terms differing from the provisions of the Finnish Consumer Protection Act to the detriment of the consumer are null and void, a company (including a bank) that violates may, if this is necessary for consumer protection, be prevented from continuing such measures or repeating these or comparable measures.

Compliance with the provisions is supervised by the Consumer Ombudsman, the Finnish Competition and Consumer Authority and, as the district authorities subordinate to it, the State Provincial Offices as well as by the FIN-FSA when the granting of credit falls within the activity supervised by the FIN-FSA. A company must present for inspection by the supervisory authorities the documents concerning consumer credits that are necessary for the supervision of such credits.

Further, the Finnish Act on Credit Institutions contains provisions on the contractual terms that a credit institution such as the Issuer may use. According to the Finnish Act on Credit Institutions, a credit institution may not use contractual provisions that are unreasonable toward the borrower. Credit institutions are required to submit their standard terms and conditions to the FIN-FSA.

Tax Framework

The Finnish Income Tax Act (*Tuloverolaki 1535/1992*), as amended, provides certain tax reliefs to borrowers in respect of loans used to finance the purchase of a residence. In respect of such a loan, 100 per cent. of the interest payable has previously been deductible from a borrower's capital income. According to the new amended rules, this deduction right has been cut to 25 per cent. of the amount of interests paid as of 2019. The deductible part of the interests is, however, 55 per cent. in 2016, 45 per cent. in 2017 and 35 per cent. in 2018. If the borrower has no such capital income or the interest (and other deductible expenses) exceeds the income, the Finnish Income Tax Act provides that the loss may be deductible from the income tax payable on earned income (i.e., salary), depending on certain criteria such as, inter alia, on the number of children in the household and whether the residence is the first residence owned by the borrower.

Pursuant to the Act on Transfer Tax (*Varainsiirtoverolaki 931/1996*), as amended, the transfer of property or housing company shares is exempt from transfer tax if the residence is the first residence owned by the buyer and is otherwise generally levied at 4 per cent. for direct transfers of real estate and 2.0 per cent. for transfers of shares. The transfer tax base includes also the debts of housing companies in addition to sales price. Subject to certain conditions, capital gains from the sale of the borrower's residence are not subject to capital gains tax, which is otherwise levied at a rate of 30 per cent. For income exceeding EUR 30,000, the tax rate is 34 per cent.

TAXATION

Finnish Taxation

The comments below are of a general nature based on the Issuer's understanding of current law and practice in Finland. They relate only to the position of person who are the absolute beneficial owners of the Covered Bonds and Coupons. They may not apply to certain classes of person such as dealers. Prospective Covered Bondholders who are not resident in Finland for tax purposes and are in any doubt as to their personal tax position or who may be subject to tax in any other jurisdiction should consult their professional advisers. It should be noted that the tax laws of Finland may be amended with retroactive effect.

Taxation of Covered Bonds

Under present Finnish domestic tax law payments in respect of the Covered Bonds and the Coupons will be exempt from all taxes, duties and fees of whatever nature, imposed or levied by or within the Republic of Finland or by any municipality or other political subdivision or taxing authority thereof or therein, except such taxation the holder of the Covered Bond or Coupon to which any such payment relates is subject to thereon by reason of such holder being connected with the Republic of Finland otherwise than solely by the holding of such Covered Bond or Coupon or the receipt of income therefrom.

Finnish Capital Gains Taxes

Covered Bondholders who are not resident in Finland for tax purposes and who do not engage in trade or business through a permanent establishment or a fixed place of business in Finland will not be subject to Finnish duties or taxes on gains realised on the sale or redemption of the Covered Bonds and Coupons.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Covered Bonds (including secondary' market transactions) in certain circumstances. The issuance and subscription of Covered Bonds should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State, or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the Republic of Finland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under

FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Covered Bonds may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which the Covered Bonds may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 14 November 2016 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. The Dealer Agreement provides that the obligations of the Dealers to subscribe for Covered Bonds are subject to certain conditions precedent, including (among other things) receipt of legal opinions from counsel. If in the case of any Tranche of the Covered Bonds the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of the Covered Bonds the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Covered Bonds will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of the Covered Bonds.

Selling Restrictions

United States of America

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bearer Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Covered Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Covered Bonds comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Covered Bonds to or through more than one Dealer, by each of such Dealers as to the Covered Bonds of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Covered Bonds during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Covered Bonds comprising any Tranche, any offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms (or Pricing Supplement, as the case may be) in respect of any Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each

Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds.

Public Offer Selling Restriction under the Prospectus Directive

Prior to 1 January 2018, and from that date if the Final Terms (or Pricing Supplement, as the case may be) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable" in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto (or are the subject of the offering contemplated by a drawdown prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in the Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed that:

- (i) **No deposit-taking:** in relation to any Covered Bonds having a maturity of less than one year:
 - (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (b) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons:
 - (1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (2) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (ii) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and
- (iii) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "FIEA"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Covered Bonds in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

The Republic of Finland

Each Dealer has agreed that it will not publicly offer the Covered Bonds or bring the Covered Bonds into general circulation in the Republic of Finland other than in compliance with all applicable provisions of the laws of the Republic of Finland and especially in compliance with the Finnish Securities Market Act (*Arvopaperimarkkinalaki* (746/2012, as amended)) and any regulation made thereunder, as supplemented and amended from time to time.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or

change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Covered Bonds) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme was authorised by duly convened meetings of the Board of the Issuer given on 24 October 2016 and by the Board of the Union Co-op passed on 26 October 2016 and the update of the Programme was authorised by a duly convened meeting of the Board of the Issuer given on 26 September 2017. The approval by virtue of which the Covered Bonds were issued is contained in board minutes of the Issuer dated 26 September 2017. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds.

Legal and Arbitration Proceedings

2. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer.

There are no governmental, legal, arbitration or administrative proceedings (including any such proceedings which are pending or threatened, of which the Union Co-op and/or the Group is aware), which may have, or which have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Union Co-op and/or the Group (and the Union Co-op and/or the Group are not aware of any such proceedings being pending or threatened).

Significant/Material Change

3. There has been no material adverse change in the prospects of the Issuer since the date of its incorporation nor any significant change in the financial or trading position of the Issuer since 30 June 2017.

Auditors

4. KPMG Oy Ab, Authorised Public Accountants, members of the Finnish Association of Auditors have been appointed the auditors of the Issuer.

Documents on Display

5. Copies of the following documents in physical form (together with English translations thereof) will be available for inspection at the offices of the Issuer and from the specified office of the Paying Agent in Luxembourg for 12 months from the date of this Base Prospectus:
 - (a) the articles of association and trade register extract of the Issuer;
 - (b) the audited financial statements of the Issuer for the year ended 31 December 2016 and the unaudited half-year report of the Issuer for the six months ended 30 June 2017, the audited consolidated financial statements of the Group for the year ended 31 December 2015 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2016;
 - (c) the audited consolidated financial statements of the Group for the years ended 31 December 2016 and 31 December 2015 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2017;
 - (d) the Agency Agreement;
 - (e) the Deed of Covenant;
 - (f) the Programme Manual (which contains the forms of the Covered Bonds in global and definitive form); and
 - (g) the Issuer-ICSDs Agreement.

The English versions of documents translated from the Finnish original are direct and accurate translations. In the event of an inconsistency between the original and translation, the Finnish language version will prevail.

Material Contracts

6. The Issuer does not have any material contracts that were not entered into in the ordinary course of the Issuer's business.
7. The Union Co-op does not have any material contracts that are not entered into in the ordinary course of the Union Co-op's business.

Clearing of the Covered Bonds

8. The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.

Issue Price and Yield

9. Covered Bonds may be issued at any price. The issue price of each Tranche of Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Covered Bonds or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Covered Bonds, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Covered Bonds set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Language

10. The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Listing Agent

11. BNP Paribas Securities Services, Luxembourg Branch is acting solely in its capacity as listing agent for the Issuer in connection with the Covered Bonds and is not itself seeking admission of the Covered Bonds to the Official List of the ISE or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

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