SAVINGS BANKS GROUP'S

Release of Financial Statements
1 January-31 December 2017

SAVINGS BANKS GROUP'S RELEASE OF FINANCIAL STATEMENTS 1 JANUARY-31 DECEMBER 2017

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SAVINGS BANKS GROUP RELEASE OF THE FINANCIAL STATEMENTS 1 JANUARY –31 DECEMBER 2017

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

Savings Banks Group (hereinafter also "the Group") thrived during the year 2017. The business of the Savings Bank Group grew profitably in all of its key areas, namely net interest income, fee and commission income and investing activities. The strategic aim is to grow profitably while managing the risks. The Group succeeded very well in this, and the Savings Banks Group achieved its best result during its history as an amalgamation.

The development of financing services is guided by the digitalisation of services and processes. The digital services of the Savings Bank Group became even better, facilitating customisation to personal needs. In the Savings Bank of the future, daily transactions are completely digitalised, while high added-value services are provided to customers at the physical service points.

Saving and investment services are important at savings banks. During the financial year, the assets managed by the Savings Banks Group increased significantly, and Savings Banks funds performed very well in the market.

In addition to savings and investments, financing private and corporate customers is another cornerstone of the banking operations of the Savings Banks Group. The most important product area in lending is residential mortgage loans, in which the Savings Banks Group grew profitably and outperformed the market. Credit losses remained low compared to the size of the credit portfolio.

The Savings Banks Group is particularly well known for its high customer satisfaction. Customer satisfaction is among the most important internal performance indicators in the Savings Banks Group, and this indicator remained at the top of the industry. A successful customer encounter is known as the Savings Bank Experience. The conceptual development of the Savings Bank Experience continued throughout the year, and the results are very encouraging.

Development work in the Savings Bank Group was very active, and several strategic projects were taken further during the year, improving the customer experience, operational efficiency and risk management. Several projects last for years, and the development work will continue during future financial years. The central development projects of the Savings Banks Group include reforming the core banking system. During 2017 there have been negotiations on renewing the system as well as preparation for the procurement and construction of the new system. The new core banking system aims to facilitate faster and more efficient deployment of customer systems, better preparedness for information management and more cost-efficient management of transactions and agreements.

The regulation of the financial sector continues to increase strongly. The most important regulatory projects in 2017 included the Markets in Financial Instruments Directive (MiFID II) and the EU's General Data Protection Regulation (GDPR). The most significant financial statements standard amendment from the Group's point of view was IFRS 9 Financial Instruments, which the Group will apply as of the beginning of 2018.

The cost of refinancing is a key factor in the basic banking business. In order to increase the efficiency of its refinancing, the Savings Banks Group established a mortgage credit bank in 2016. During 2017, a significant share of the mortgage loans granted by Savings Banks was transferred to Sp Mortgage Bank, which emitted a second covered bond of EUR 500 million. The emission took place at a lower emission price, which indicates that investors find the Savings Banks Group's debt emissions increasingly attractive investments. An AAA credit rating by S&P Global Ratings has been ratified for the programme. The central credit institution of Savings Banks, the Central Bank of Savings Banks Finland Plc, holds an S&P Global Ratings credit rating of A-/A-2. The rating prospects are stable.

The Savings Banks Group continued to actively build strategic partnerships and announced a cooperation project on the distribution of funds, life insurance and accident insurance with POP Bank Group. Towards the end of the financial year, the Savings Banks Group joined the European Investment Fund's guarantee programme, which will further improve the Savings Banks' ability to finance their corporate customers.

The Savings Banks Group and the Savings Banks Amalgamation

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

The member organisations of the Savings Banks Amalgamation (hereinafter also "the Amalgamation") form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 23 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc and the companies within the consolidation groups of the above-mentioned entities, as well as Savings Bank Services Ltd and Sp-Fund Management Company Ltd. The coverage of the Savings Banks Group differs from that of the Savings Banks Amalgamation in that the Savings Banks Group also includes institutions other than credit and financial institutions or service companies. The most notable of these are Sb Life Insurance Ltd and Sp-Koti Oy.

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

Description of the operational environment

The global economy

Global economic growth strengthened substantially in 2017. A particularly positive aspect of the growth was that it occurred on a broad front: none of the world's top 50 economies were in a recession. The average growth rate of the global economy increased to about 3.5 %. The industrial countries reached a growth rate of approximately 2.5 %, which was reflected in a significant improvement in employment rates. The unemployment rate fell to a level approaching 4 % in the United States and was substantially below 9 % in the euro zone. Economic growth in the developing markets was also better than anticipated. Growth in China remained stable at slightly under 7 % while Russia and Brazil resumed growth after a recession in the previous years. The GDP growth rate of the emerging economies increased to an average of 4.5 %.

At the start of 2018, the outlook for the global economy remains very positive. General economic confidence in Europe is the strongest it has been in more than 17 years and, in the United States, consumer confidence has risen to a level that substantially exceeds the highs seen before the financial crisis. Leading economic indicators in summer 2017 showed symptoms of economic growth having already peaked, but these signs dissipated later in the year and the outlook improved, suggesting stronger growth. In the final months of 2017, macroeconomic indicators were systematically and broadly higher than expected.

The global economy has now been expanding for long enough that supply-side constraints may begin to limit growth prospects in certain economic areas. In many European countries, such as Germany and Sweden, capacity utilisation rates are already close to the levels typically seen at the peak of the economic cycle, while in the United States, unemployment has fallen below the natural rate of unemployment. President Trump's tax cuts will likely support short-term growth in the United States, but they will also exacerbate the federal deficit, which may become a constraint on growth in the long run. In China, the debt-driven growth model based on investments is no longer working and the demand structure will inevitably need to become more balanced and based on private consumption. This structural transformation is underway in China, but its controlled execution involves risks and there may be unexpected bumps on the path to growth.

The most significant uncertainty in the global economy relates to the change in the direction of the central banks' monetary policy. In the United States, the Federal Reserve already began to slowly hike up interest rates in December 2015, but the rate of increase is now expected to pick up. In autumn 2017, the Fed also began to allow its balance sheet to contract. The European Central Bank (ECB) will halve the monthly volume of its securities purchases to EUR 30 billion starting from the beginning of 2018. This level of purchases will be maintained at least until the end of September 2018. The ECB is expected to gradually move away from quantitative easing thereafter, and the first interest rate hikes – if permitted by the economic climate – could be implemented in the second half of 2019. Tighter monetary policy always involves the risk that the tightening measures begin to slow down growth too much. This risk is exceptionally high at the present time because the massive stimulation measures of central banks have perhaps been the key driver of economic growth and higher asset values in the 2010s.

Interest rate environment

Interest rates have remained low and there are no significant changes expected in the near future. Long-term interest rates also increased very little in 2017 in spite of strong growth. In the United States, the gap between long-term and short-term interest rates narrowed quite significantly during the past year. The flattening yield curve may indicate concerns that tighter monetary policy will lead to slower growth. The yield curve is also quite flat in the EU. Combined with the low basic interest rate level, this presents challenges to net interest incomes in banking. Net interest incomes are also weighed down by the liquidity regulation requirements (LCR liquidity requirements) and the ECB's negative deposit interest rate.

Investment markets

The year 2017 was positive from the perspective of the investment markets. The favourable global economic climate supported growth in corporate profits. Stock market volatility remained low throughout the year and investor confidence stayed strong. Inflation has remained very low considering the circumstances, which is why the feared increase in interest rates did not materialise in the markets. Central banks have made gradual progress with regard to tighter monetary policy, which has helped support investor confidence in the fixed income markets. Stock valuations have risen to the highest levels seen since the financial crisis, while strong demand for corporate bonds has reduced risk margins in the corporate bond markets. The role of political risks was emphasised in 2017. Changes in the political environment did not, however, lead to significant changes in the investment markets.

The new year is getting off to a favourable start from the perspective of the investment markets. Strong economic growth supports investment returns and the outlook for businesses remains positive. The high valuation of stocks and corporate bonds is a risk factor. A substantial increase in real interest rates would likely lead to major movements in the investment markets. Changes in the central banks' monetary policy play a more significant role from the perspective of the investment markets compared to previous years.

The Finnish economy

The Finnish economy saw a stronger-than-expected upswing in growth in early 2017. The boost from the global economy was reflected in a substantial increase in exports and strong investment growth. As the year went on, the growth levelled off slightly due to a slowing down of exports. It is possible that production capacity constraints began to compromise Finland's ability to respond to external demand. The labour market mismatch problem also seemed to get worse: the number of vacancies was historically high, but filling them was difficult. Thanks to the growth spurt early in the year, the Finnish GDP probably grew by slightly more than three per cent in 2017.

In the early part of 2017 employment improved surprisingly little considering the brisk GDP growth and only during the last months of the year employment growth clearly strenghtened. However, this is a fairly typical phenomenon in the early stage of recovery, as businesses initially try to satisfy the increased demand by making more efficient use of their existing capacity. The slower-than-expected decrease in unemployment can also be attributed to a reduction in disguised unemployment: people outside the labour force were encouraged to be more active in seeking work. The supply of labour increased, which will eventually be reflected in a higher employment rate. The trend of decreasing unemployment will continue in 2018.

The slight slowing down of growth seen in the second half of 2017 now appears to have been temporary, and economic development is again improving as we enter 2018. As the global economic outlook has become brighter again, the international economy will increasingly boost the Finnish economy. At the same time, the strong growth in investments will reduce capacity constraints. The general economic climate remains favourable with respect to consumer demand: consumer confidence is historically high, the employment rate is improving, interest rates are very low and purchasing power is increasing in spite of the slight acceleration of inflation. However, household debt is starting to become a factor that constrains consumption, and the growth in private consumption may slow down slightly compared to 2017. The Finnish GDP is expected to grow by 3 per cent in 2018.

Ensuring the long-term growth potential of the Finnish economy requires the continued structural reform of the labour market, social security, social services and health care, higher education, business subsidies and taxation. However, decision-making on these reforms is politically difficult and the results are slow to come. Due to the fiscal sustainability gap caused by the increasing age-related costs of care, the public-sector economy has very little latitude in spite of the favourable macroeconomic conditions.

The housing market in Finland

The factors that influence housing transactions (employment rate, interest rates and consumer confidence) have continued to support a positive climate in the housing market. In 2017, the positive sentiment was largely directed at newly constructed housing, with the transaction volume rising by nearly 35 per cent. The transaction volume for old apartments did not develop in line with expectations during the same period, although it did grow by approximately 2.5 per cent. There was a growing divide between housing markets in different geographic regions. Uusimaa, Southwest Finland and Pirkanmaa saw strong growth, while Kainuu, Kymenlaakso and Southern Savonia moved in the opposite direction. This polarisation is significantly influenced by regional trends in population size and the size of the labour force.

The demand for residential investments remained strong in early 2017 in spite of certain cities seeing an excess supply of rental apartments and the increase in rents being too fast in relation to the development of wages and salaries. The excess supply is partly due to the high level of investment activity among housing funds. Many experts commented in the autumn on the overheating of the residential investment market and the related risks, particularly if the investments are largely made with borrowed capital. This reduced investment demand, which in turn had a positive impact on the ability of first-time home buyers to find homes for themselves. The number of first-time home buyers increased from the autumn onwards.

New construction activity remained very strong in 2017 due to high demand. At the same time, however, the number of issued building permits began to decline, which suggests growing caution among construction firms. This cautious attitude is attributable to the decreasing demand for residential investments as well as the symptoms seen in the housing market of the Stockholm Metropolitan Area in Sweden. The low availability of plots in good locations is also a factor. Construction firms are responding to this by increasingly focusing on finding urban infill opportunities.

The prices of old apartments and terraced houses increased by approximately four per cent in 2017. There were geographic differences in the development of prices, with the Helsinki Metropolitan Area seeing an increase of approximately 4.5 per cent and the rest of Finland averaging about 1.5 per cent. We predict that the prices of old apartments will increase by approximately 1–3 per cent this year in Finland as a whole. The increase in prices will be kept in check by the demand for small apartments returning to normal, along with a slight decrease in the eagerness to buy apartments.

The Savings Banks Group's income statement and statement of financial position

Savings Banks Group's financial highlights

(EUR 1,000)	1-12/2017	1-12/2016	1-12/2015	1-12/2014*	1-12/2013*
Revenue	331,366	304,340	298,475	295,628	271,235
Net interest income	142,176	131,693	125,018	122,022	110,612
% of revenue	42.9 %	43.3 %	41.9 %	41.3 %	40.8 %
Profit before taxes	88,210	69,603	69,699	63,137	71,074
% of revenue	26.6 %	22.9 %	23.4 %	21.4 %	26.2 %
Total operating revenue	282,191	245,376	230,531	223,903	224,841
Total operating expenses	-182,693	-158,060	-146,128	-143,763	-140,619
Cost to income ratio	64.7 %	64.4 %	63.4 %	64.2 %	62.5 %
Total assets	11,326,105	10,423,646	9,189,391	8,400,544	7,717,389
Total equity	1,017,520	953,402	880,694	841,230	781,086
Return on equity %	7.3 %	6.2 %	6.7 %	5.7 %	8.9 %
Return on assets %	0.7 %	0.6 %	0.7 %	0.6 %	0.9 %
Equity/assets ratio %	9.0 %	9.1 %	9.6 %	10.0 %	10.1 %
Solvency ratio %	19.1 %	19.5 %	18.8 %	18.6 %	19.5 %
Impairment losses on loans and other receivables	-13,266	-8,411	-6,127	-10,539	-5,859

* Additional financial information from the time before the Savings Banks Amalgamation commenced its operations on 31 December 2014.

Profit trends (comparison figures 1–12/2016)

Savings Banks Group's profit before tax stood at EUR 88.2 million (69.6), in other words, at the level of the comparison year. Profit for the financial year was EUR 71.9 million, of which the share of the owners of the Savings Banks Group was EUR 70.4 million (56.4).

The operating revenue of the Savings Banks Group grew to EUR 282.2 million (245.4). There was growth in net interest income, net fee and commission income, net investment income and net life insurance income.

Net interest income grew by 8.0 % to EUR 142.2 million (131.7). The share of derivatives used for the management of interest rate risks of net interest income was EUR 21.9 million (21.3), i.e., 15.4 % of net interest income (16.2). The growth of net interest income was particularly influenced by the more advantageous fundraising expenses of the Savings Banks Group. This was influenced particularly by the Central Bank of Savings Bank's unsecured bond issues and Sp Mortgage Bank's covered bond issues.

Net fee and commission income grew by 10.8 % to EUR 79.2 million (71.4). In particular, fees received from funds and the card business and the payment transactions experienced growth. Also other fees related to credit granting grew sligthtly with volume growth.

Net investment income totalled EUR 39.1 million (17.8), i.e., it was 119.4 % higher than in the comparison year. Net investment income is largely made up of realised gains on available-for-sale financial assets.

The net life insurance income totalled EUR 15.6 million (11.8). Premiums written increased by 23 % year-on-year. Net investment income also increased by 12.8 %, being EUR 37.3 million (33.1).

Other operating revenue was 3.1 million (12.7). Comparison year includes EUR 8.0 million of income related to the Visa Europe trade.

Operating expenses grew in their entirety by 8.2 % to EUR 182.7 million (168.8). Personnel expenses increased by 8.5 % to EUR 79.8 million (76.1). The average amount of the total resources of the Savings Banks Group in the financial year grew correspondingly by 6.4 %, being 1,330 person-years in the financial year 2017. Other administrative expenses grew by 10.6 %, being 68.9 million (63.0). The growth is significantly explained by the expenses related to the ICT operations.

The Group's cost to income ratio was 64.7 % (64.4).

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets stood at EUR 14.0 million (10.7) in the financial year, i.e., at the level of the comparison year.

Impairments on credits and other receivables were registered as a total of EUR 13.3 million (8.4). When converted to annual figures, loans and other receivables were 0.17 % (0.12) of the loan portfolio. Non-performing receivables increased slightly from the level of the comparison year, and amounted to 1.2 % of the credit portfolio (0.94).

The Group's effective income tax percentage was 18.5 % (17.8).

Balance sheet and funding (comparison figures 31 December 2016)

The balance sheet of the Savings Banks Group totalled EUR 11.3 billion at the end of 2017 (10.4), representing growth of 8.7 %. The Group's return on assets was 0.7% (0.6).

Loans and advances to customers amounted to EUR 7.8 billion (6.9), growing by 11.7 % year-on-year. A part of the growth, approximately 2.0 %, was due to the transfers of loans mediated by Savings Banks from Aktia Real Estate Mortgage Bank Plc to Savings Banks Group's own balance sheet during the spring of 2017. Loans and advances to credit institutions amounted to EUR 33.2 million (20.9), showing an increase of 59.1 %. The Savings Banks Group's investment assets stood at EUR 1.3 billion (1.3), and decreased by 3.5 %. Life insurance assets amounted to EUR 855.4 million (708.4), showing growth of 20.8 %.

Liabilities to customers amounted to EUR 6.4 billion (6.1); representing a year-on-year growth of 4.9 %. Liabilities to credit institutions stood at EUR 228.4 million (227.0), at the level of year of comparison. Debt securities issued stood at EUR 2.6 billion (EUR 2.0). Sp Mortgage Bank belonging to the Savings Banks Group successfully issued a covered bond loan of EUR 500 million in October. Life insurance liabilities amounted to EUR 803.1 million (664.3), growing by 22.1 %.

The Savings Banks Group's equity stood at EUR 1 017.5 million (953.4), showing an increase of 6.7 %. The share of non-controlling interests of the equity was EUR 26.5 million (24.0). The Group's growth of equity is mainly explained by the profit of the financial year. Fair value recorded in other comprehensive income, which was EUR -3.9 million in the financial year (17.1). The impact of cash flow hedging on equity was -1.0 million (0.3). During the financial year, other comprehensive income after tax totalled EUR 6.0 million (17.1). The Group's return on equity was 7.3 % (6.2).

Capital adequacy and risk position

Capital adequacy (comparison figures 31 December 2016)

At the end of 2017, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 984.6 million (936.6), of which CET1 capital accounted for EUR 939.1 million (887.9). Savings Banks Amalgamation does not have additional Tier 1 capital. The growth in CET1 capital was due to the profit for the period. Tier 2 (T2) capital accounted for EUR 45.5 million (48.7), which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 5,165.7 million (4,805.4), i.e., they were 7.5 % higher than at the end of the previous year. The most significant change related to the increase in risk-weighted assets was the growth in the mortgage portfolio. The capital ratio of the Savings Banks Amalgamation was 19.1 % (19.5) and the CET1 capital ratio was 18.2% (18.5).

The Financial Supervisory Authority set in December 2016 a discretionary capital conservation buffer for the Savings Banks Amalgamation according to the Act on Credit Institutions as part of the supervisor's assessment (SREP) process. The discretionary capital conservation buffer entered into force on 30 June 2017. The other components of the capital requirement have remained unchanged compared to the previous year. The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0 % risk weight to internal credit institution liabilities included within the scope of the Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU) No 575/2013 and the Act on the Amalgamation of Deposit Banks (599/2010).

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

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

Capital adequacy's main items

Own funds (EUR 1,000)	31.12.2017	31.12.2016
Common Equity Tier 1 (CET1) capital before regulatory adjustments	969,674	915,685
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-30,591	-27,835
Common Equity Tier 1 (CET1) capital	**939,082**	**887,850**
Additional Tier 1 (AT1) capital before regulatory adjustments	0	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**939,082**	**887,850**
Tier 2 (T2) capital before regulatory adjustments	45,483	48,717
Total regulatory adjustments to Tier 2 (T2) capital	0	0
Tier 2 (T2) capital	**45,483**	**48,717**
Total capital (TC = T1 + T2)	**984,565**	**936,567**
Risk weighted assets	**5,165,694**	**4,805,436**
of which: credit and counterparty risk	4,601,921	4,250,278
of which: credit valuation adjustment (CVA)	72,541	98,561
of which: market risk	39,879	35,147
of which: operational risk	451,354	421,450
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.2 %	18.5 %
Tier 1 (as a percentage of total risk exposure amount)	18.2 %	18.5 %
Total capital (as a percentage of total risk exposure amount)	19.1 %	19.5 %
Capital requirement		
Total capital	984,565	936,567
Capital requirement total*	569,379	504,571
of which: Pillar 2 additional capital requirement	25,828	0
Capital buffer	415,186	431,996

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

Leverage ratio

The Savings Banks Amalgamation's leverage ratio was 8.8% (9.1). The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Amalgamation's Tier 1 capital to total liability. The Savings Banks Amalgamation monitors excessive indebtedness as part of its capital adequacy management process.

Leverage ratio

(EUR 1,000)	31.12.2017	31.12.2016
Tier 1 capital	939,082	887,850
Total leverage ratio exposures	10,639,424	9,801,832
Leverage ratio	8.8 %	9.1 %

Financial Stability Authority and resolution plan

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

Risk position

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

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

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

- Independent risk control

- Compliance function

- Internal audit

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

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

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

Credit ratings

S&P Global Ratings (S&P) upgraded long-term counterparty credit rating for Central Bank of Savings Banks Finland Plc, 28.4.2017 to 'A-' from 'BBB+' . The outlook is stable. At the same time, the 'A-2' short-term counterparty credit rating on Central Bank of Savings Banks Finland Plc was affirmed. The previous credit rating assessment by S&P was made in November 2016.

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

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

Under the by-laws of the Savings Banks' Union Coop, the Union's Supervisory Board has no less than 9 and no more than 35 members, each of whom has a designated deputy. Under the operating principles of the Group, the trustee chairmen of the Savings Banks' boards of directors are elected to the Supervisory Board as regular members and the deputy chairmen as deputy members. Other members may also be elected to the Supervisory Board, within the limits set for the number of members. No other members apart from the chairmen were elected to the Supervisory Board in 2017.

The Supervisory Board included 22 members. The chairman of the Supervisory Board was Jaakko Puomila (chairman of the Board of Directors of Länsi-Uudenmaan Säästöpankki) and the deputy chairman was Pauli Kurunmäki (chairman of the Board of Directors of Huittisten Säästöpankki).

As of the annual general meeting of Savings Banks' Union Coop in 2017, the following persons have been members of the Board of Directors:

Jussi Hakala, chairman (Liedon Säästöpankki),
chairman until 16 March 2017 and a member from 16 March 2017

Kalevi Hilli (Säästöpankki Optia),
a member until 16 March 2017 and chairman from 16 March 2017

Matti Saustila, deputy chairman (Eurajoen Säästöpankki),
deputy until 16 March 2017

Toivo Alarautalahti (Huittisten Säästöpankki),
a member until 16 March 2017 and deputy from 16 March 2017

Pirkko Ahonen (Aito Säästöpankki Oy)

Hans Bondèn (Närpiön Säästöpankki Oy),
a member until 16 March 2017

Hanna Kivelä (independent of Savings Banks),
a member until 16 March 2017

Peter Finne (Koivulahden Säästöpankki),
a member from 16 March 2017.

Sanna Ahonen (independent of Savings Banks),
a member from 16 March 2017.

Jan Korhonen (Suomenniemen Säästöpankki)

Marja-Leena Tuomola (independent of Savings Banks),
a member from 16 March 2017.

The Board of Directors of Savings Banks' Union Coop constitutes a quorum when five members are present. The Board of Directors of Savings Banks' Union Coop will be elected at the annual general meeting of the Savings Banks' Union Coop cooperative on 15 March 2018.

The Managing Director of the Savings Banks' Union Coop has been Tomi Närhinen since 1 September 2017. Pasi Kämäri served as Managing Director until 22 August 2017.

At the annual general meeting of the Savings Banks' Union Coop cooperative on 16 March 2017, KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor of Savings Banks' Union Coop. The chief auditor designated by the firm is Petri Kettunen, Authorised Public Accountant.

Personnel

The Savings Banks Group considers it important for every employee to be aware of the importance of their own work for the achievement of our objectives.

The customers of the Savings Banks Group appreciate the Savings Bank employees' excellent service attitude, expert and personal service and ease of service use. The Savings Banks Group actively invests in the development of these matters in dialogue with customers as well as personnel. The Savings Banks Group conducts an annual joint personnel survey, in addition to which feedback and development ideas are collected through diverse pulse surveys. There are annual development and objective reviews, in addition to which there are regular sparring and coaching discussions.

It is important for the personnel of the Savings Banks Group and their own bank to prosper, and the employees are prepared to contribute to it. The Savings Banks Group thinks that every employee is an expert in their own work, and we provide everyone with an opportunity and responsibility for the continuous development of their own expertise. Our success in the breakthrough of our industry requires everyone to continuously maintain and develop their own expertise.

We invested strongly in the quantity and quality of the training portfolio of the Savings Banks Group. During 2017, the Group's training offering was diverse in terms of content as well as methods. A total of more than 300 training events took place during the year, with clearly over a half of them held as video or online training. The offering grew significantly compared to the previous year. In particular, the themes of the training sessions included digitalisation, saving and investment and corporate business.

Managerial and supervisory work at the Savings Banks Group was developed systematically based on a shared leadership view during the year. With the leadership view, we particularly want to promote the management of the unique customer experience, reform, competence and enthusiasm. At the level of the Group, we promoted the sharing of good management practices and building of cooperation networks.

In 2017, the Savings Banks Group had on average 1,343 employees (1,270). Converted into total resources, personnel volumes were an average of 1,330 in the financial year (1,250). As in the previous year, women accounted for 77 % and men for 23 % of all employees. The average age of employees decreased to 41.5 years (44). Overall turnover of personnel was 3.2% (3.9).

Social responsibility

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

Today, the responsible approach taken by Savings Banks is evident in all aspects of a bank's activities. It is reflected in their attitude towards customers, partners, operating sphere, the authorities, the environment and other stakeholders. The Savings Banks Group adheres to the principles of corporate governance, openness and the Group's ethical rules.

Promoting social well-being locally

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

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

In 2017, Savings Banks made financial contributions to work with children and young people, war veterans, the elderly, junior sport as well as other leisure activities. The total number of beneficiaries was well over a hundred. The Savings Banks Research Foundation granted scholarships to university researchers and study projects. In addition, savings bank trusts owning limited liability-format Savings Banks have made significant contributions in various parts of the country. They also distributed considerable sums to non-profit purposes in 2017.

Financial accountability

Financial accountability refers to good profitability, capital adequacy and liquidity, good governance and responsible leadership. Savings Banks want to ensure that their customers and partners are able to rely on the bank's judgment and sense of responsibility in all circumstances.

To maintain financial responsibility, the Savings Banks have to ensure their capital adequacy and liquidity even in poor economic conditions. A particular feature that applies to Savings Banks is that they take responsibility for promoting saving and financial welfare among the local population.

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

The Group also takes a responsible attitude towards the Finnish economy. Savings Banks pay all of their taxes directly to Finland. They do not participate in controversial tax planning practices. In 2017, we paid EUR 16.3 million in income taxes. The Group employs 1,343 financial and service industry professionals around the country. Through its presence on the various committees of Finance Finland, the Group contributes actively to the development of the Finnish banking sector.

Environmental responsibility

As a responsible Finnish banking group, the Savings Banks Group recognises its role in promoting environmental responsibility. Business travel and meetings are replaced with telephone and video conferencing. Unnecessary paper use is reduced and eco-friendly alternatives are favoured.

A responsibility report will be published as part of the Savings Banks Group's annual report.

Operations and profit by business segment

Banking services

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

Customer relationships

Savings Bank customers value their own bank and are also ready to recommend it to their acquaintances. In the EPSI Rating study of the year 2017, Savings Banks were number two in customer satisfaction among the banks. In the Customer Marketing Union's Customer Index, our customer experience is the best in the banking industry. Savings Banks also annually conduct their own survey on their customers. In 2017, approximately 10,800 customers responded to the survey. They provided valuable information on their satisfaction and ideas to support continued development. The overall satisfaction of Savings Banks' customers continued to be at an excellent level.

We continuously measure our success in customer negotiations. The Net Promoter Score (NPS) for the negotiations improved clearly year-on-year in 2017 and amounted to 79.6.

Trend in customer numbers

At the end of 2017, Savings Banks had more than 477,000 customers. Over 29,000 new customer accounts were opened during the year, most of them for families with children. In the past year, apart from acquiring new customers, Savings Banks have focused on maintaining current customer relationships. During 2016, the Savings Banks' customer service personnel met with approximately one-third of all the customers of the whole Group.

Applying the Savings Banks' own customer service concept, "A Moment with Your Personal Finances", customer service advisors discussed existing and future financial needs with approximately 93,000 customers in 2017. Through this service, the customer's current and future banking needs were extensively reviewed. In 2017, 3 % more customers than in the previous year appointed a Savings Bank as their main bank. The number of insurance and fund saving customers increased by almost 10%.

The Savings Banks are the third most valued banking brand

The long-term work to develop the brand and recognition of the Savings Banks has produced results during 2017. In the study on brand valuation of Markkinointi&Mainonta magazine and Taloustutkimus Oy in 2017, the Savings Banks brand is the third most valued bank.

The use of the mobile application grows fast

The use of the Sp-mobile application continued its strong growth in 2017 among both personal and corporate customers. The use of the application increased by approximately 50 % during 2017, and in terms of the volume of use, the mobile application is already very close to the online banking service. We believe that the trend will continue to be similar with the reform of Sp-mobile and change in customer behaviour.

Savings Banks Group began to use Finnish birch as material for payment cards

Savings Banks Group celebrated Finland's 100 years of independence by being the first Finnish bank to launch a card made using Finnish birch. The birch card became popular among our customers. The competitiveness of the Savings Banks' credit cards was also increased during the year by adding purchase protection insurance to them free of charge of the cardholders. Contactless payments continued their strong growth, and the contactless payment feature was also added to Savings Bank's corporate Visa Business Debit cards during the year.

Sp Mortgage Bank

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

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

During the financial year, Sp Mortgage Bank's operations proceeded as planned and the loan portfolio reached at the end of the year the amount of EUR 1,535 Million.

In October, Sp Mortgage Bank issued a EUR 500 million covered bond under its covered bond programme. S&P Global Ratings assigned a credit rating of AAA for the bond.

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

The Central Bank of Savings Banks Finland Plc is a bank owned by Finnish savings banks with main purpose of providing savings banks and the Savings Banks Group with various central credit institution services. The central credit institution services includes payment services and account operator services, payment card issuing for the customers of the member Savings Banks of the Amalgamation, and services related to liquidity management, funding and asset and liability management.

The focus of the Central Bank of Savings Banks' business operations and its objectives changed during 2017 as planned from establishing business operations in the previous years towards maintaining and developing business operations in a way that has allowed the Central Bank of Savings Banks to support the implementation of the Savings Banks Group's strategy in accordance with its role.

In April 2017 S&P Global Ratings (S&P) upgraded its long-term counterparty credit rating for Central Bank of Savings Banks Finland Plc, to 'A-' from 'BBB+'. The outlook is stable. At the same time, the 'A-2' short-term counterparty credit rating on Central Bank of Savings Banks Finland Plc was affirmed.

Financial performance (comparative figures 1–12/2016)

Profit before tax of Banking operations stood at EUR 60.7 million (50.0). Net interest income stood at EUR 142.2 million (131.7), representing growth of 7.9 %. Net fee and commission income were EUR 56.0 million (51.3), which represented growth of 9.2 %. Net investment income was EUR 41.0 million (19.1). Net investment income is largely made up of realised capital gains on available-for-sale financial assets. Other operating revenue amounted to EUR 2.6 million (12.2). Other operating revenue includes non-recurring items both in the financial year and in the comparison year. In the comparison year, other operating revenue included EUR 8.0 million of income related to the Visa Europe trade

Personnel expenses grew only by 0.8 %, being EUR 64.0 million (63.5). The number of personnel in the Banking operations segment was 1,077 (1,076) at the end of the financial year. Other operating expenses including depreciation grew 12.9 % to EUR 103.8 million (91.6). The growth was due to higher ICT expenses during the year of comparison.

The balance sheet for banking operations amounted to EUR 10.5 billion (9.6), representing a growth of 8.8 %. The growth of the balance sheet was boosted by the issue of the covered bond by Sp Mortgage Bank Plc, which increased the balance sheet of the segment by 500 million. Liabilities to credit institutions was at the level of year of comparison EUR 228.5 million (227.0). Liabilities to customers, in turn, increased by 4.9 % to EUR 6.4 billion (6.1).

Loans and advances to customers grew by 11.7 % to EUR 7.8 billion (6.9). Of the growth, approximately 2.0 percentage points is explained by the transfers of loans mediated by Savings Banks to Aktia Real Estate Mortgage Bank Plc to the balance sheets of Savings Banks and Sp Mortgage Bank during 2017. Loans and receivables from credit institutions amounted to EUR 33.0 million (20.9).

Asset management and life insurance

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

The fund capital managed by the Savings Banks Group's asset management operations totalled EUR 2.4 billion (1.9) at the end of the year, representing a growth of 21 % on the previous year.

The number of fund unit holders grew by 12% and was 179,068 unit holders (159,968) at the end of the review period.

The Savings Banks Group fund management company managed 22 investment funds at the end of 2017. During the financial period, four new investment funds was brought to the market. Savings Bank Korkopainoinen, Savings Bank Tasapainoinen, Savings Bank Osakepainoinen and Savings Bank Tuottohakuinen invests its funds mainly in other Savings Banks funds. During the financial year, the Savings Bank High Yield special fund was converted into a Savings Bank High Yield Investment Fund in June 2017 and the Savings Bank Trendi – special fund was merged into the Säästöpankki Maailma Fund on June 19 of 2017.

Net subscriptions to the Savings Bank investment funds were a total of EUR 378.6 million (202.4) during 2017. With this amount, the Group's investment fund was the fifth largest of the 26 Finnish investment fund companies.

At the end of 2017, the largest of the Savings Banks investment funds was Savings Bank Interest Plus investment fund with capitals of EUR 547.1 million. With 37,615 unit holders, the investment fund was also the largest in terms of the number of unit holders. Savings Banks collected most of the new capital from the Savings Banks' Korko Plus investment fund, whose net subscriptions were EUR 129.4 million.

Life insurance savings were EUR 792.0 million (643.2) at the end of the year, representing a growth of 23.1 %. Unit-linked insurance savings were EUR 671.2 million at the end of the year (516.5), growing by 30.3 %. Life insurance premium income was EUR 169.7 million (138.0), representing an increase of 23.0 %. EUR 50.4 million was paid out in claims (38.8), which shows a year-on-year growth of 29.9 %. The compensation also includes surrenders.

Financial performance (comparison figures 1–12/2016)

Profit before tax for the Asset Management and Life Insurance segment was EUR 27.1 million (21.0).

The net income from life insurance activities amounted to EUR 15.6 million (11.8), and they increased by 31.7 %. The net investment income of life insurance was EUR 37.3 million (33.1).

Net fee and commission income was EUR 23.4 million (21.3), which meant 9.9 % of growth. The amount of net fee and commission income rose especially due to increases in customer assets and managed capital.

Other operating expenses increased by 10.5 % to EUR 13.4 million (12.1). Personnel expenses were 6.7 million (5.7). The number of segment personnel at the end of the financial year was 79 (79). Other operating expenses amounted to EUR 6.6 million (6.3).

The asset management and life insurance segments' balance sheet grew during the financial year by 19.0 %, being EUR 851.0 million (715.0).

Other functions

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

The franchising company Sp-Koti Ltd, focusing on real estate agency business, grew clearly more than the housing market, while the turnover grew by 13.3 % and the trades grew by 3.8 %. In the housing market, the number of trades implemented by real estate agency businesses on second-hand housing grew by approximately 2.4 %. In the enterprises and number of agents, no changes took place compared to the previous year, but the growth was based on the better success of the agents and the rise in the average prices of sold apartments.

Sp-Koti included 34 companies (32), one own unit and on average eight business entrepreneurs. With regard to offices, the chain is the fourth largest and with regard to sold apartments, the third largest real estate agency business in Finland.

The good work and strong growth of Sp-koti was acknowledged by the Kauppalehti newspaper with the "growth company of the year 2017" award.

Savings Bank Services Ltd commenced its operations on 1 June 2017. Savings Bank Services provide the member banks of the Savings Banks Group with centralised multi-channel customer service and support and back office process tasks as expert work. The company has approximately 110 employees.

Material events after the closing date

IFRS 9 came into effect 1 January 2018 fully replacing the prior IAS 39 standard. The adoption of the standard resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements on the opening balances for 2018. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Due to IFRS 9, the most significant accounting policy changes relate to changes in classification and measurement as well as calcula-tion of expected credit losses in accordance with IFRS 9. The effects of IFRS 9 are presented as part of the financial statements in Note 2.

The Board of Directors of the Savings Banks' Union Coop is not aware of any other factors that would materially influence the financial position of the Savings Banks Group after the completion of the financial statements.

Outlook for 2018

Outlook for the operational environment

The slight slowing down of growth seen in the second half of 2017 now appears to have been temporary, and economic development is again improving as we enter 2018. As the global economic outlook has become brighter again, the international economy will increasingly boost the Finnish economy. At the same time, the strong growth in investments will reduce capacity constraints. The general economic climate remains favourable with respect to consumer demand: consumer confidence is historically high, the employment rate is improving, interest rates are very low and purchasing power is increasing in spite of the slight acceleration of inflation. However, household debt is starting to become a factor that constrains consumption, and the growth in private consumption may slow down slightly compared to 2017. The Finnish GDP is expected to grow by 3 per cent in 2018.

Ensuring the long-term growth potential of the Finnish economy requires the continued structural reform of the labour market, social security, social services and health care, higher education, business subsidies and taxation. However, decision-making on these reforms is politically difficult and the results are slow to come. Due to the fiscal sustainability gap caused by the increasing age-related costs of care, the public-sector economy has very little latitude in spite of the favourable macroeconomic conditions.

The new 2018 is getting off to a favourable start from the perspective of the investment markets. Strong economic growth supports investment returns and the outlook for businesses remains positive. The high valuation of stocks and corporate bonds is a risk factor. A substantial increase in real interest rates would likely lead to major movements in the investment markets. Changes in the central banks' monetary policy play a more significant role from the perspective of the investment markets compared to previous years.

Business outlook

The low level of market interests will still challenge the economic performance in 2018. However, the low interest rates will not jeopardise the performance or capital adequacy of the Savings Banks Group. The Savings Banks Group is solvent and the risk position of the Group is moderate.

In 2018, the business of the Savings Banks Group will focus on improving the competitiveness of the Group and implementing a customer-oriented strategy. Savings Banks are well placed to achieve this. In 2018, the Group aims to acquire a larger number of customers who will focus their banking services on a Savings Bank.

The Savings Banks Group's result before tax is estimated to be almost at the same level as in 2017. This estimate is based on the current view of economic development. The expectations include uncertainties due to economic circumstances which have an impact on the estimated result; especially with regard to loan write-downs and investment income.

Further information:

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The release of the financial statements has been audited.

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

Formulas used in calculating the financial highlights:

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

Alternative Performance Measures

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

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

RELEASE OF FINANCIAL STATEMENT

Savings Banks Group's income statement

(EUR 1,000)	Note	1-12/2017	1-12/2016
Interest income		181,854	180,663
Interest expense		-39,678	-48,970
Net interest income	4	**142,176**	**131,693**
Net fee and commission income	5	79,159	71,428
Net trading income		3,156	-56
Net investment income	6	39,065	17,809
Net life insurance income	7	15,552	11,810
Other operating revenue	8	3,083	12,692
Total operating revenue		**282,191**	**245,376**
Personnel expenses		-79,781	-76,117
Other operating expenses		-88,913	-81,944
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-13,999	-10,732
Total operating expenses		**-182,693**	**-168,792**
Net impairment loss on financial assets	10	-13,266	-8,411
Associate's share of profits		1,977	1,430
Profit before tax		**88,210**	**69,603**
Taxes		-16,316	-12,406
Profit		**71,894**	**57,197**
Profit attributable to:			
Equity holders of the Group		70,424	56,361
Non-controlling interests		1,471	835
Total		**71,894**	**57,197**

Savings Banks Group's statement of comprehensive income

(EUR 1,000)	1-12/2017	1-12/2016
Profit	**71,894**	**57,197**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit obligation	-1,097	-194
Total	**-1,097**	**-194**
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	-3,906	17,057
Cash flow hedges	-1,038	254
Total	**-4,944**	**17,312**
Total comprehensive income	**65,853**	**74,315**
Attributable to:		
Equity holders of the Group	63,384	72,796
Non-controlling interests	2,469	1,519
Total	**65,853**	**74,315**

Savings Banks Group's statement of financial position

(EUR 1,000)	Note	31.12.2017	31.12.2016
Assets			
Cash and cash equivalents		1,118,938	1,100,784
Financial assets at fair value through profit or loss		34,694	118,055
Loans and advances to credit institutions	10	33,181	20,855
Loans and advances to customers	10	7,753,391	6,942,744
Derivatives	11	53,220	72,024
Investment assets	12	1,260,677	1,306,780
Life insurance assets	13	855,422	708,374
Investments in associates and joint ventures		7,952	7,086
Property, plant and equipment		51,341	56,711
Intangible assets		28,725	22,137
Tax assets		3,009	3,977
Other assets		125,555	64,119
Total assets		**11,326,105**	**10,423,646**
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss		25,369	108,595
Liabilities to credit institutions	14	228,458	227,049
Liabilities to customers	14	6,419,543	6,121,627
Derivatives	11	5,584	2,289
Debt securities issued	15	2,563 128	2,049,588
Life insurance liabilities	16	803,130	664,327
Subordinated liabilities		100,284	121,735
Tax liabilities		62,907	66,403
Provisions and other liabilities		100,181	108,631
Total liabilities		**10,308,585**	**9,470,245**
Equity			
Basic capital		20,338	20,338
Reserves		285,435	291,361
Retained earnings		685,279	617,709
Total equity attributable to equity holders of the Group		**991,053**	**929,408**
Non-controlling interests		26,467	23,994
Total equity		**1,017,520**	**953,402**
Total liabilities and equity		**11,326,105**	**10,423,646**

Savings Banks Group's statement of cash flows

(EUR 1,000)	1–12/2017	1–12/2016
Cash flows from operating activities		
Profit	71,894	57,197
Adjustments for items without cash flow effect	4,648	10,938
Income taxes paid	-17,702	-13 158
Cash flows from operating activities before changes in assets and liabilities	**58,841**	**54,976**
Increase (-) or decrease (+) in operating assets	**-949,272**	**-763,777**
Financial assets at fair value through profit or loss	136	9,021
Loans and advances to credit institutions	3,203	6,351
Loans and advances to customers	-817,076	-638,453
Available-for-sale financial assets	33,514	-19,836
Increase in held-to-maturity financial assets		-383
Decrease in held-to-maturity financial assets	4,660	2,488
Life insurance assets	-112,659	-105,465
Other assets	-61,052	-17,500
Increase (-) or decrease (+) in operating liabilities	**966 376**	**1,217,963**
Liabilities to credit institutions	1,409	-124,192
Liabilities to customers	314,089	212,167
Debt securities issued	520,909	1,001,904
Life insurance liabilities	138,803	120,091
Other liabilities	-8,835	7,993
Total cash flows from operating activities	**75,944**	**509,162**
Cash flows from investing activities		
Other investments		40,980
Investments in investment property and property, plant and equipment and intangible assets	-21,904	-19,765
Disposals of investment property and property, plant and equipment and intangible assets	1,807	3,203
Total cash flows from investing activities	**-20,097**	**24,418**
Cash flows from financing activities		
Increase in subordinated liabilities	5,724	15,461
Decrease in subordinated liabilities	-26,155	-40,089
Distribution of profits	-2,185	-1,826
Total cash flows from financing activities	**-22,616**	**-26,453**
Change in cash and cash equivalents	**33,231**	**507,127**
Cash and cash equivalents at the beginning of the period	**1,117,616**	**610,489**
Cash and cash equivalents at the end of the period	**1,150,848**	**1 117,616**

Cash and cash equivalents comprise the following items:

Cash	1,118,938	1,100,784
Receivables from central banks repayable on demand	31,822	16,832
Total cash and cash equivalents	**1,150,760**	**1 117,616**

Adjustments for items without cash flow effect

Impairment losses on financial assets	7,998	8,933
Changes in fair value	-4,580	-2,122
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	17,358	12,985
Effect of associates on profit	-1,977	-1,430
Adjustments for life insurance operations	-29,686	-19,662
Gain or loss on sale of investment property and property, plant and equipment and intangible assets	-781	-173
Income taxes	16,316	12,406
Total Adjustments for items without cash flow effect	**4,648**	**10,938**

Interest received	193,521	191,955
Interest paid	52,902	65,832
Dividends received	5,156	2,644

Savings Banks Group's statement of changes in equity

(EUR 1,000)	Basic capital	Share premium	Primary capital	Fair value reserve (available for sale)	Reserve for hedging instruments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1 January 2016	**20,338**	**59,122**	**34,475**	**21,163**	**3,651**	**68,076**	**81,278**	**267,766**	**570,131**	**858,235**	**22,458**	**880,694**
Comprehensive income												
Profit									56,361	56,361	835	57,197
Other comprehensive income				16,374	254			16,628	-194	16,434	684	17,118
Total comprehensive income		**0**	**0**	**16,374**	**254**	**0**	**0**	**16,628**	**56,167**	**72,796**	**1,519**	**74,315**
Transactions with owners												
Distribution of profits									-1,876	-1,876		-1,876
Tranfers between items		1,234					4,157	5,391	-5,391	0		0
Other changes		-3		-14		1,592		1,575	-1,322	253	17	269
Total equity 31 December 2016	**20,338**	**60,354**	**34,475**	**37,523**	**3,905**	**69,669**	**85,435**	**291,361**	**617,709**	**929,408**	**23,994**	**953,402**

(EUR 1,000)	Basic capital	Share premium	Primary capital	Fair value reserve (available for sale)	Reserve for hedging instruments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total equity attributable to equity holders of the Group	Non-controlling interests	Total equity
Equity 1 January 2017	**20,338**	**60,354**	**34,475**	**37,523**	**3,905**	**69,669**	**85,435**	**291,361**	**617,709**	**929,408**	**23,994**	**953,402**
Comprehensive income												
Profit									70,424	70,424	1 471	71,894
Other comprehensive income				-4,913	-1,038			-5,951	-1,097	-7,048	998	-6,049
Total comprehensive income		**0**	**0**	**-4,913**	**-1,038**	**0**	**0**	**-5,951**	**69,327**	**63,376**	**2,469**	**65,845**
Transactions with owners												
Distribution of profits									-2,177	-2,177		-2,177
Tranfers between items										0		0
Other changes						25		25	421	445	5	450
Total equity 31 December 2017	**20,338**	**60,354**	**34,475**	**32,611**	**2,867**	**69,694**	**85,435**	**285,435**	**685,279**	**991,053**	**26,467**	**1,017,520**

BASIS OF PREPARATION

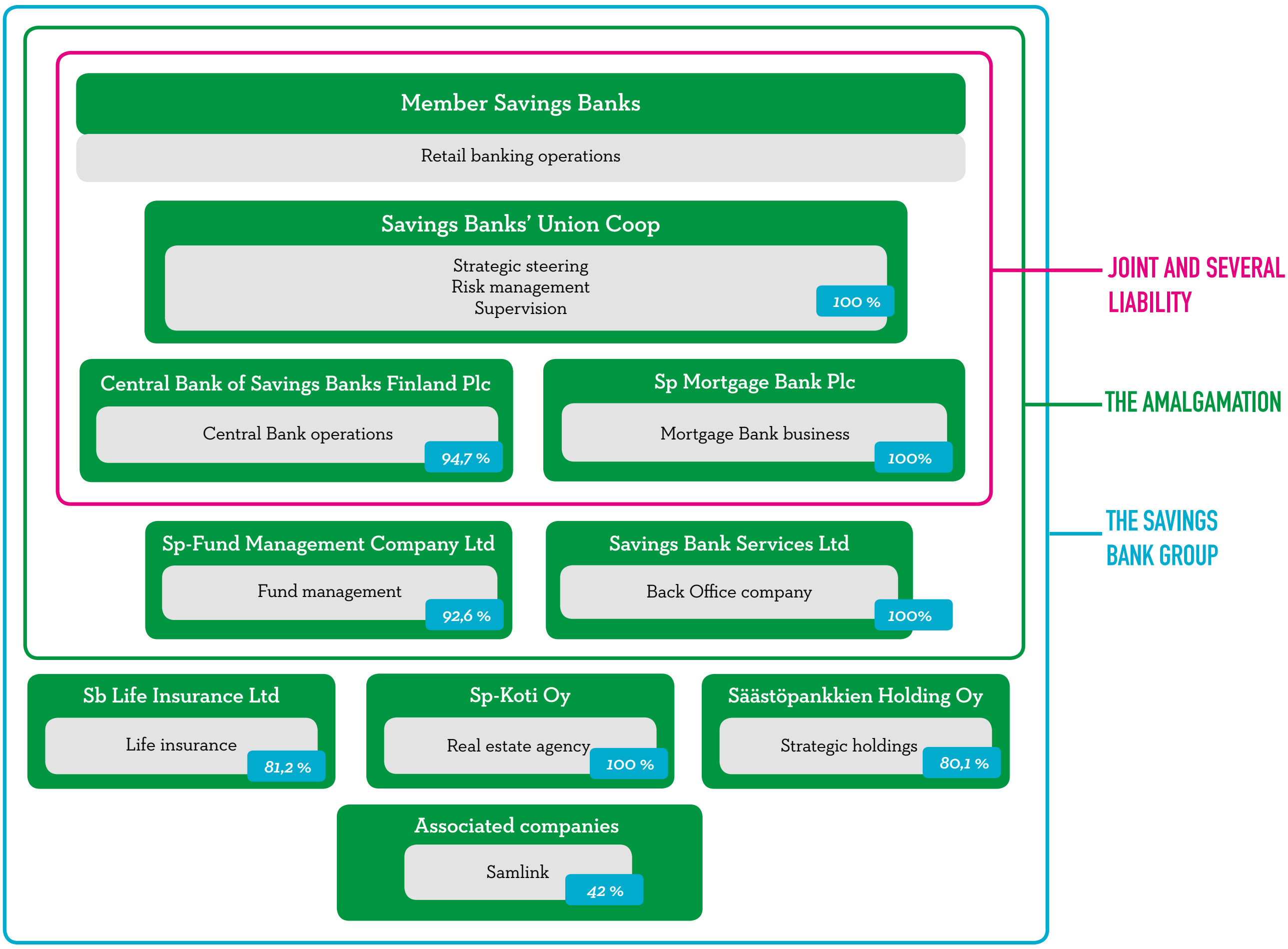
NOTE 1: DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

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

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

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

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



Savings Bank Services Ltd started its operations 1.6.2017 through a merger of SP Back Office Ltd and SP Taustataiturit Ltd.

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

Savings Banks' Union Coop steers the operations of the Group and is responsible for the internal control framework. According to the Amalgamation Act Savings Banks' Union Coop acting as the Central Institution of the Amalgamation is obliged to prepare consolidated financial statements for the Group. The Board of Directors of Savings Banks' Union Coop is responsible for preparing the financial statements. The financial statements are prepared for the financial group formed by the Group. The companies consolidated into the financial statements are listed in note 43. All figures presented hereafter are Group's figures unless otherwise stated.

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

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

The Board of directors of Savings Banks' Union Coop has in their meeting the 14 February 2018 approved the Group's consolidated financial statements for the financial year ending 31 December 2017. The consolidated financial statements will be presented to the cooperative meeting of Savings Banks' Union Coop in the meeting scheduled for 15 March 2018.

NOTE 2: ACCOUNTING POLICIES

General

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

The release of financial statements of 1.1.-31.12.2017 has been prepared in accord-ance with the IAS 34 Interim Financial Reporting -standard. Accounting principles applied in the release of financial statements are essentially the same as in the financial statement of 2016.

The release of the financial statements have been audited.

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

Critical accounting estimates and judgments

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

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

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

New and amended standards applied in financial year ended

Savings Banks Group has applied as from 1 January 2017 the following new and amended standards that have come into effect.

- Amendments to IAS 7 Disclosure Initiative (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.. The standard change has an affect the notes of the Savings Banks Group.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective for financial years beginning on or after 1 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The changes have not had an impact on the financial statements of Savings Banks Group.
- Amendments to IFRS 12 (not yet endorsed for use by the European Union as of 31.12.2017), Annual Improvements to IFRSs (2014-2016 cycle) (effective for financial years beginning on or after 1 January 2017). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The changes have not had an impact on the financial statements of Savings Banks Group.

Adoption of new and amended standards and interpretations applicable in future financial years

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

* = not yet endorsed for use by the European Union as of 31 December 2017.

- IFRS 15 Revenue from Contracts with Customers, Effective date of IFRS 15 and Clarifications to IFRS 15 (effective for financial years beginning on or after 1 January 2018): The new standard replaces current IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements.

  The new standard does not affect the revenue recognition from financial instruments or insurance contracts, and it concerns mainly various net fee and commission income items. The revenue recognition from interest and dividend yield will be based in the future on the IFRS 9 -standard, and no changes are expected for the revenue recognition compared with the current treatment of the IAS 18 -standard. The revenue recognition of Savings Banks Group is thus based to a significant degree on the IFRS 9 -standard with regard to financial instruments (replaces as of 1 January 2018 the current IAS 39 -standard) and with regard to insurance contracts to the IFRS 4 -standard.

  The net fee and commission income of Savings Banks Group mainly includes fees that are recorded in a performance-based manner, when a certain service or measure has been performed. In addition, with regard to continuous services, such as asset management, the agreed fee is recorded on the basis of the passing of time. The asset management income of Savings Banks Group is not tied to revenue. With regard to these services, the fulfillment of the performance obligations can be clearly verified, and no changes are expected to the revenue recognition compared with the current practice. Considering the scope of operations, the Group has very little income on which the standard change is estimated to have an impact. The impact of the IFRS 15 -standard on the income of Savings Banks Group and its financial statements are immaterial, as a whole.
- IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019): The new standard replaces the current IAS 17 –standard and related interpretations. IFRS

16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. Savings Banks Group has started the preliminary assessment of the impact of the standard. According to it, especially the rental facilities used for offices and administrative units by the Savings Banks Group will bring changes to the Group's calculation practices. Saving Bank Group has no financial lease contracts. The impacts of the standard on the profit and loss, balance sheet, financial statements and IT-systems are considered to not be material due to the exceptions and the amount of lease contracts within the Group. However, the impact analysis of the standard on the financial statements of the Savings Banks Group is still unfinished, and the estimation of the final impact will require a more exact analysis of the Group's agreement portfolio.

- IFRS 17 Insurance Contracts* (effective for financial years beginning on or after 1 January 2021). The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4-standard. The impact analysis of the standard on the financial statements of the Savings Banks Group is yet to be started, and the estimation of the final impact will requires a thorough analysis of the Sb Life Insurance Ltd Insurance contracts within the scope of IFRS 17.
- Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for financial years beginning on or after 1 January 2018). The amendments respond to industry concerns about the impact of differing effective dates by allowing two optional solutions to alleviate temporary accounting mismatches and volatility. The Savings Banks Group has elected to apply the transitional provision on the financial assets of Sb Life Insurance and not apply IFRS 9 on these financial assets before IFRS 17 will become effective.
- IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration* (effective for financial years beginning on or after 1 January 2018). When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates -standard is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The standard change does not have a significant impact on the financial statements of Savings Banks Group, as the Group has very few items denominated in foreign currencies and/or operations.
- Amendments to IAS 40 - Transfers of Investment Property* (effective for financial years beginning on or after 1 January 2018). When making transfers of an investment property, the amendments clarify that a change in management's intentions, in isolation, provides no evidence of a change in use. The examples of evidences of a change in use are also amended so that they refer to property under construction or development as well as to completed property. The standard change does not have a significant impact on the financial statements of Savings Banks Group.
- Annual Improvements to IFRSs (2014-2016 cycle)* (effective for financial years beginning on or after 1 January 2018). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to IFRS 1 and IAS 28. The amendments have no significant impact on Savings Banks Groups's consolidated financial statements.
- IFRIC 23 Uncertainty over Income Tax Treatments* (effective for financial years beginning on or after 1 January 2019). The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The standard change does not have an impact on the financial statements of Savings Banks Group for the foreseeable future.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation* (effective for financial years beginning on or after 1 January 2019). The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation. The standard change does not have an impact on the financial statements of Savings Banks Group for the foreseeable future.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2019). The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The standard change does not have an impact on the financial statements of Savings Banks Group for the foreseeable future.

  Annual Improvements to IFRSs (2015-2017 cycle)* (effective for financial years beginning on or after 1 January 2019). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to IFRS 3, IFRS 11, IAS 12 and IAS 23. The amendments have no significant impact on Savings Banks Groups's consolidated financial statements.

Introduction of the IFRS 9 standard

IFRS 9 came into effect 1 January 2018 fully replacing the prior IAS 39 standard. The adoption of the standard resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements on the opening balances for 2018. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Due to IFRS 9, the most significant accounting policy changes relate to changes in classification and measurement as well as calculation of expected credit losses in accordance with IFRS 9.

The Group has elected to apply the IAS 39 hedge accounting requirements on portfolio hedging and apply IFRS 9 hedge accounting requirements only to general hedge accounting as permitted by the transitional provisions of IFRS 9.

The Group has elected to apply the IFRS 17 standards transitional provision for the Sb Life Insurance Ltd, which permits the Group to postpone the IFRS 9 transition until 1 January 2021. The financial assets of Sb Life Insurance Ltd will be booked in accordance with IAS 39 as done in prior periods.

The adoption of IFRS 9 has a significant impact on the Groups accounting policies relating mainly to classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7: Financial Instruments: Disclosures. For notes disclosures, the IFRS 9 consequential amendments to IFRS 7 disclosures have only been applied to the current period. The comparative period disclosures repeat those disclosures in the prior year, therefore not being comparable in the 2018 financial statements. The effects of the adoption of IFRS 9 have been booked directly to retained earning in the 1 January 2018 opening balance.

As permitted by the IFRS 9 transitional provisions the effects of the transition, changes in classification and measurement as well as expected credit losses are booked directly to retained earnings therefore effecting the capital ratios and own funds of the Savings Bank Amalgamation. Going forward, the own funds are mainly effected by the expected credit losses booked through profit and loss. The risk-weighted assets are effected by the accounting principle changes that cause changes to carrying amounts.

The Group has elected to not apply transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds. All effect of IFRS 9 will therefore be accounted fully since the beginning of 2018.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Groups business model for managing the financial assets and these instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss, available-for-sale, held-to-maturity and amortised cost) have been replaced by:

- Fair value through other comprehensive income (FVOCI)
- Amortised cost
- Fair value through profit or loss (FVTPL)

The classification of financial liabilities remains largely the same and the changes under IFRS 9 have no significant effect on the Group.

Classification and measurement of financial assets and liabilities

The classification and measurement of financial assets in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

(EUR 1,000)	Measurement category IAS 39	Measurement category IFRS 9	Carrying amount IAS 39 31 December 2017	Carrying amount IFRS 9 1 January 2018
Cash and cash equivalents	Loans and receivables	Amortised cost	16,684	16,684
	Loans and receivables	Fair value through profit or loss	1,102,254	1,102,254
Loans and advances to credit institutions	Loans and receivables	Amortised cost	33,181	33,174
Loans and advances to customers	Loans and receivables	Amortised cost	7,753,055	7,746,803
	Loans and receivables	Fair value through profit or loss	337	337
Derivatives	Fair value through profit or loss	Fair value through profit or loss	53,220	53,220
Investment assets	Available-for-sale financial assets	Fair value through profit or loss	592,413	592,413
	Available-for-sale financial assets	Fair value through other comprehensive income	582,508	582,508
	Fair value through profit or loss	Fair value through profit or loss	34,694	34,694
	Held-to-maturity financial investments	Amortised cost	41,763	41,404
	Available-for-sale financial assets	Amortised cost	1,000	1,000
Total assets			**10,211,107**	**10,204,490**

There were no changes to the classification and measurement of financial liabilities in IFRS 9.

The reconciliation of the carrying amounts of financial assets in accordance with IAS 39 and IFRS 9:

Financial assets

(EUR 1,000)	IAS 39 carrying amount 31 December 2017	Reclassifi-cations	Remeasure-ments	IFRS 9 carry-ing amount 1 January 2018
Amortised cost				
Cash and cash equivalents				
Statement of financial position 31 December 2017	1,118,938			
Reclassification - to fair value through profit or loss (FVTPL)		-1,102,254		
Remeasurements			0	
Statement of financial position 1 January 2018				**16,684**
Loans and advances to credit institutions				
Statement of financial position 31 December 2017	33,181			
Remeasurements			-7	
Statement of financial position 1 January 2018				**33,174**
Loans and advances to customers				
Statement of financial position 31 December 2017	7,753,391			
Reclassification - to fair value through profit or loss (FVTPL)		-337		
Remeasurements			-6,252	
Statement of financial position 1 January 2018				**7,746,803**
Investment assets				
Statement of financial position 31 December 2017	41,763			
Reclassification - from available-for-sale		1,000		
Remeasurements			-359	
Statement of financial position 1 January 2018				**42,404**
Financial assets measured at amortised cost, total	**8,947,273**	**-1,101,590**	**-6,617**	**7,839,065**
Financial assets available for sale				
Investment assets				
Statement of financial position 31 December 2017	1,175,920			
Reclassifications - to fair value through other comprehensive income (equity instruments)		-2,196		
Reclassifications - to fair value through other comprehensive income (debt instruments)		-580,312		
Reclassifications - to fair value through profit or loss		-592,413		
Reclassifications - to amortised cost		-1,000		
Statement of financial position 1 January 2018				**0**
Fair value through other comprehensive income (debt instruments)				
Investment assets				
Statement of financial position 31 December 2017				
Reclassification - from available-for-sale		580,312		
Statement of financial position 1 January 2018				**580,312**

(EUR 1,000)	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Fair value through other comprehensive income (equity instruments)				
Investment assets				
Statement of financial position 31 December 2017				
Reclassification - from available-for-sale		2,196		
Statement of financial position 1 January 2018				**2,196**
Fair value through other comprehensive income, total		**582,508**		**582,508**
Fair value through profit or loss				
Derivatives	53,220			53,220
Investment assets	34,694			34,694
Statement of financial position 31 December 2017	87,914			87,914
Reclassification - from amortised cost		1,102,590		1,102,590
Reclassification - from available-for-sale		592,413		592,413
Statement of financial position 1 January 2018	**87,914**	**1,695,003**		**1,782,917**
Fair value through profit or loss, total	**87,914**	**1,695,003**		**1,782,917**

The new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Group have been applied as follows:

- Debt instruments previously classified as available-for-sale but which fail the solely payments of principle and interest test
  - The Groups holds debt instruments that failed to meet the "solely payments of principle and interest" requirement for amortised cost or fair value through other comprehensive income classification. As a result, these instruments, which amounted to EUR 42.6 million, were classified as fair value through profit or loss from the date of initial application.
- Mutual fund investments
  - Within the Group in accordance with IAS 39 the fund investments have been classified as available-for-sale. In accordance with IAS 32 the fund investments are considered debt instruments on which the cash flows are not solely payments of principal and interest. Under IFRS 9 these fund investments are therefore classified as fair value through profit or loss. On 1 January 2018 the amount affected by the classification change amounted to EUR 532.5 million.
- Equity instruments classified as fair value through other comprehensive income
  - The Group has elected to irrevocably designate its strategically important equity securities as fair value through other comprehensive income. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of. In accordance with IAS 39 these securities were classified as available for sale. The strategically important equity shares consist of intragroup holdings.

Under IFRS 9 the Group has no financial assets or liabilities that have been reclassified to the amortised cost category or have been reclassified out of fair value through profit or loss to fair value through other comprehensive income.

Changes to the impairment calculation

The adoption of IFRS 9 changed the accounting for loan loss impairments by replacing the IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach. The expected credit loss allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss.

Expected Credit losses are booked for all loans and other debt financial assets held at fair value through other comprehensive income or amortised cost, together with loan commitments, financial guarantee contracts and account payables.

When measuring impairment of financial assets, the Group applies expected credit losses methodology that incorporates probability of default (PD) and loss given default (LGD). The key components of the models are Probability of Default, which is based on credit rating models and Loss Given Default, which takes into account the collateral of the contract. Forward-looking information is incorporated into calculations by using different scenarios which are based on the financial information provided by the Group's economist.

If credit risk on an exposure has not increased significantly since initial recognition and exposure was not credit impaired upon origination, the Group recognises the loss allowance for that exposure at an amount equal to 12-month expected credit losses and whether the credit risk has significantly increased based on the lifetime expected credit losses. The increase of credit risk can be considered significant if the contract has minor delays in payment (30-90 days) or the credit rating has deteriorated since the origination of the exposure or of the original value. An individual Bank of the Group can use management judgement and manually book a significant increase to an individual exposure. The definition of unlikely to pay is consistent with the regulatory requirements of the Group.

Reconciliation of equity balances from IAS 39 to IFRS 9

In accordance with the transitional provisions of IFRS 9, the changes relating to IFRS 9 are booked through retained earnings and other funds within the equity. The following table reconciles the most significant changes due to IFRS 9 booked to equity including a reconciliation of impairment allowance balance from IAS 39 to IFRS 9.

(EUR 1,000)	31.12.2017	Change	1.1.2018
Fair value reserve	**32,611**		
Reclassifications			
Expected credit losses under IFRS 9 for instruments classified as fair value through other comprehensive income		1,256	
Total			**1,256**
Reclassifications			
Transfer of fair value reserve			
Debt securities		-1,983	
Shares and participations		-23,570	
Transfer of fair value reserve, total			-25,553
Total			**-25,553**
Tax effect		4,859	
Fair value reserve, total	**32,611**	**-19,438**	**13,173**
Retained earnings	**685,279**		
Reclassifications			
Reclassification of loan loss provisions			
Loan loss provision under IAS 39		29 053	
Loan loss provision (group) under IAS 39		11,084	
Reclassification of loan loss provisions, total			40,137
Expected credit losses			
IFRS 9 expected credit losses loans		-46,978	
Expected credit losses under IFRS 9 for instruments classified as amortised cost		-359	
Expected credit losses under IFRS 9 for instruments classified as fair value through other comprehensive income		-1,256	
Off-balance sheet		-1,921	
Expected credit losses, total			-50,513
Total			**-10,376**
Reclassifications			
Transfer, fair value reserve			
Debt securities		1,983	
Shares and participations		23,570	
Transfer, fair value reserve, total			25,553
Total			**25,553**
Tax effect		-3,035	
Retained earnings	**685,279**	**12,142**	**697,421**
Total equity quity*	**1,017,520**	**-7,296**	**1,010,224**

* Total equity 1 January 2018 includes all items included in the Group's equity. The reconciliation only contains the IFRS 9 effects in the fair value reserve and retained earnings.

The Group estimates that the other new and amended standards and interpretations applicable in future financial years will not have a significant impact on the Savings Banks Group's financial reporting.

PROFIT FOR FINANCIAL YEAR

NOTE 3: OPERATING SEGMENTS

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

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

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

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

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

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

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

Pricing between the segments is based on market prices.

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

Income statement 2017 (EUR 1,000)	Banking	Asset Management and Life Insurance	Reportable segments in total
Net interest income	142,158	-14	142,143
Net fee and commission income	56,015	23,412	79,427
Net trading income	41,047	1,371	42,418
Net life insurance income		15,552	15,552
Other operating revenue	2,557	85	2,642
Total operating revenue	**241,777**	**40,406**	**282,182**
Personnel expenses	-63,966	-6,731	-70,696
Other operating expenses	-103,840	-6,620	-110,460
Total operating expenses	**-167,806**	**-13,350**	**-181,156**
Net impairment loss on financial assets	-13,266		-13,266
Profit before tax	**60,705**	**27,055**	**87,761**
Taxes	-10,831	-5,413	-16,244
Profit	**49,874**	**21,643**	**71,517**
Statement of financial position 2017			
Cash and cash equivalents	1,118,938		1,118,938
Assets at fair value through profit or loss	9,325		9,325
Loans and advances to credit institutions	32,961		32,961
Loans and advances to customers	7,754,952		7,754,952
Derivatives	53,220		53,220
Investment assets	1,298,390		1,298,390
Life insurance assets		840,060	840,060
Other assets	202,796	10,931	213,727
Total assets	**10,470,581**	**850,991**	**11,321,572**
Liabilities to credit institutions	228,458		228,458
Liabilities to customers	6,422,745		6,422,745
Derivatives	5,584		5,584
Debt securities issued	2,563,128		2,563,128
Life insurance liabilities		812,963	812,963
Subordinated liabilities	100,200		100,200
Other liabilities	149,128	7,829	156,956
Total liabilities	**9,469,243**	**820,791**	**10,290,034**
Number of emplyees at the end of the period	**1,077**	**79**	**1,156**

Reconcillations (EUR 1,000)	1-12/2017	1-12/2016
Revenue		
Total revenue for reportable segments	282,182	247,399
Non allocated revenue, other operations	9	-2,023
Total revenue of the Group	**282,191**	**245,376**
Profit		
Total profit or loss for reportable segments	71,517	58,455
Non allocated amounts	377	-1,258
Total profit of the Group	**71,894**	**57,197**

	31.12.2017	31.12.2016
Assets		
Total assets for reportable segments	11,321,572	10,341,068
Non allocated assets, other operations	4,533	82,578
Total assets of the Group	**11,326,105**	**10,423,646**
Liabilities		
Total liabilities for reportable segments	10,290,034	9,358,126
Non allocated liabilities, other operations	18,551	112,119
Total liabilities of the Group	**10,308,585**	**9,470,245**

Income statement 2016 (EUR 1,000)	Banking	Asset Management and Life Insurance	Reportable segments in total
Net interest income	131,722	-26	131,696
Net fee and commission income	51,285	21,295	72,579
Net trading income	19,099		19,099
Net life insurance income		11,810	11,810
Other operating revenue	12,201	13	12,215
Total operating revenue	**214,306**	**33,093**	**247,399**
Personnel expenses	-63,488	-5,739	-69,226
Other operating expenses	-91,954	-6,344	-98,299
Total operating expenses	**-155,442**	**-12,083**	**-167,525**
Net impairment loss on financial assets	-8,411		-8,411
Share of profits or losses of associates	-482		-482
Profit before tax	**49,971**	**21,010**	**70,982**
Taxes	-8,281	-4,246	-12,527
Profit	**41,690**	**16,765**	**58,455**

Statement of financial position 2016			
Cash and cash equivalents	1,100,784		1,100,784
Assets at fair value through profit or loss	9,460		9,460
Loans and advances to credit institutions	20,855		20,855
Loans and advances to customers	6,942,946		6,942,946
Derivatives	72,024		72,024
Investment assets	1,344,047		1,344,047
Life insurance assets		708,019	708,019
Investments in associates			
Other assets	135,912	7,019	142,931
Total assets	**9,626,030**	**715,038**	**10,341,068**
Liabilities to credit institutions	227,049		227,049
Liabilities to customers	6,123,301		6,123,301
Derivatives	2,289		2,289
Debt securities issued	2,049,588		2,049,588
Life insurance liabilities		671,125	671,125
Subordinated liabilities	121,438	213	121,651
Other liabilities	155,549	7,574	163,123
Total liabilities	**8,679,214**	**678,912**	**9,358,126**
Number of emplyees at the end of the period	**1,076**	**79**	**1,155**

NOTE 4: NET INTEREST INCOME

(EUR 1,000)	1-12/2017	1-12/2016
Interest income		
Debts eligible for refinancing with Central Bank	4,366	4,457
Loans and advances to credit institutions	576	320
Loans and advances to customers*	135,608	131,978
Debt securities	14,782	16,703
Derivative contracts		
Hedging derivatives	24,559	24,326
Other than hedging derivatives	216	252
Other	1,747	2,626
Total	**181,854**	**180,663**
* of which interest income from impaired loans	611	557
Interest expense		
Liabilities to credit institutions	-4,380	-4,460
Liabilities to customers	-18,453	-26,543
Derivative contracts		
Hedging derivatives	-2,864	-3,133
Other than hedging derivatives	-1	-106
Debt securities issued	-11,229	-10,678
Subordinated liabilities	-2,526	-3,071
Other	-225	-979
Total	**-39,678**	**-48,970**
Net interest income	**142,176**	**131,693**

NOTE 5: NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-12/2017	1-12/2016
Fee and commission income		
Lending	20,717	19,419
Deposits	827	977
Payment transfers	31,033	29,126
Securities brokerage	2,012	1,874
Mutual fund brokerage	23,574	18,145
Asset management	145	1,978
Legal services	3,532	3,145
Custody fees	1,109	1,253
From insurance brokerage	1,773	1,645
Guarantees	1,355	1,307
Other	2,578	2,554
Total	**88,655**	**81,422**

Fee and commission expense		
Payment transfers	-3,201	-3,208
Securities	-1,339	-1,229
Funds	-123	-
Asset management	-709	-468
Other*	-4,125	-5,090
Total	**-9,497**	**-9,994**

*of which the most significant expenses are the expenses relating to payment transfers amounting to EUR 1,815 thousand (EUR 1,714 thousand).

Net fee and commission income	**79,159**	**71,428**

NOTE 6: NET INVESTMENT INCOME

(EUR 1,000)	1-12/2017	1-12/2016
Net income from available-for-sale financial assets		
Debt securities		
Capital gains and losses	310	145
Transferred from fair value reserve during the financial year	4,103	2,988
Impairment losses and their reversal	-145	-191
Total Debt securities	**4,267**	**2,941**
Shares and participations		
Capital gains and losses	1,563	312
Transferred from fair value reserve during the financial year	31,167	12,396
Impairment losses	-160	-331
Dividend income	5,156	2,644
Total shares and participations	**37,726**	**15,021**
Total	**41,993**	**17,962**
Net income from investment property		
Rental and dividend income	7,106	6,858
Capital gains and losses	367	283
Other income from investment property	82	185
Maintenance charges and expenses	-5,091	-5,051
Depreciation and amortisation of investment property	-5,353	-2,374
Rental expenses arising from investment property	-39	-53
Total	**-2,928**	**-153**
Net investment income	**39,065**	**17,809**

NOTE 7: NET LIFE INSURANCE INCOME

(EUR 1,000)	1–12/2017	1–12/2016
Premiums written		
Group's share	169,683	137,975
Insurance premiums ceded to reinsurers	-253	-180
Net investment income*	37,348	33,102
Claims incurred		
Claims paid	-50,426	-38,812
Change in provision for unpaid claims	-2,124	-497
Change in insurance contract liabilities		
Change in life insurance provision	-136,390	-118,410
Other	-2,286	-1,368
Net life insurance income	**15,552**	**11,810**

***Net investment income**		
Net Interest	192	569
Dividend income	473	516
Net income from investment property	-	275
Realised capital gains and losses	-259	5,426
Unrealised gains and losses	27,032	21,747
Other investments	393	-105
Net income from foreign exchange operation	-98	22
Net income from unit-linked customer assets	9,615	4,651
Total	**37,348**	**33,102**

NOTE 8: OTHER OPERATING REVENUE

(EUR 1,000)	1-12/2017	1-12/2016
Rental and dividend income from owner-occupied property	162	177
Capital gains from owner-occupied property	-	103
Other income from Banking	2,323	11,936
Other	598	476
Other operating revenue	**3,083**	**12,692**

NOTE 9: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.12.2017 (EUR 1,000)	Loans and receivables	Available-for-sale	Held-to-maturity	Fair value through profit or loss	Designated as at fair value on initial recognition	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and cash equivalents	1,118,938							1,118,938
Financial assets at fair value through profit or loss					34,694			34,694
Loans and advances to credit institutions	33,181							33,181
Loans and advances to customers	7,753,391							7,753,391
Derivatives				53,220				53,220
hedging derivatives				53,220				
of which cash flow hedging				4,383				
of which fair value hedging				48,837				
Investment assets		1,175,920	41,763				42,994	1,260,677
Life insurance assets*		181,178			672,980		1,264	855,422
Total assets	**8,905,510**	**1,357,098**	**41,763**	**53,220**	**707,674**	**0**	**44,258**	**11,109,522**

Financial liabilities at fair value through profit or loss					25,369			25,369
Liabilities to credit institutions						228,458		228,458
Liabilities to customers						6,419,543		6,419,543
Derivatives				5,584				5,584
hedging derivatives				5,584				
of which fair value hedging				5,584				
Debt securities issued						2,563,128		2,563,128
Life insurance liabilities*					671,784	128,764	2,582	803,130
Subordinated liabilities						100,284		100,284
Total liabilities	0	0	0	**5,584**	**697,153**	**9,440,178**	**2,582**	**10,145,497**

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

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

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

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

NOTE 10: LOANS AND ADVANCES

(EUR 1,000)	31.12.2017	31.12.2016
Loans and advances to credit institutions		
Deposits	32,221	19,232
Loans and other receivables	960	1,623
Total	**33,181**	**20,855**
Loans and advances to customers		
Used overdrafts	83,759	82,767
Loans	7,282,472	6,520,581
Interest subsidized housing loans	329,265	279,612
Loans granted from government funds	3,064	4,037
Credit cards	93,441	82,383
Guarantees	503	2,350
Other receivables	550	2,168
Impairment losses	-39,661	-31,155
Total	**7,753,391**	**6,942,744**
Total loans and advances	**7,786,572**	**6,963,599**

Impairment losses on loans and receivables (EUR 1,000)	Measured by individual contract	Measured by group	Total
Impairments 1 January 2017	**24,856**	**6,298**	**31,155**
+ increase in impairment losses	10,286	6,087	16,373
- reversal of impairment losses	-1,657	-1,302	-2,959
- final write-offs	-4,908		-4,908
Impairments 31 December 2017	**28,577**	**11,084**	**39,661**

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

NOTE 11: DERIVATIVES AND HEDGE ACCOUNTING

The Savings Banks Group hedges its interest rate risk against exposure to variability both in fair value and in cash flows and applies hedge accounting on hedging relationships. Fair value hedging is targeted at fixed interest rate borrowing. Cash flow hedging is targeted at the future interest cash flow from variable rate lending.

Changes in the fair value of derivatives hedging fair value are recognised in the income statement under "Net trading income". When hedging fair value, also the hedged item is measured at fair value during the hedging period even if the item is otherwise measured at amortised cost. Changes in the fair value of the hedged item are recognised in the balance sheet as an adjustment to the corresponding balance sheet item and in the income statement under "Net trading income". Interest arising from hedging derivatives are presented as an adjustment to interest expense.

The effective portion of changes in the fair value of derivatives hedging cash flow are recognised in equity in the reserve for hedging instruments after adjustments for deferred taxes. The ineffective portion of changes in fair value are recognised in the income statement under "Net trading income". In addition, Net trading income includes changes in the time value of interest rate options which are recognised as hedging instruments as time value is not part of the hedging relationship. Interest arising from hedging derivatives are presented as an adjustment to interest expense.

31.12.2017	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	**174,480**	**1,827,209**	**309,000**	**2,310,689**	**48,837**	**5,584**
Interest rate derivatives	105,000	1,755,000	309,000	2,169,000	44,651	2,475
Equity and index derivatives	69,480	72,209		141,689	4,186	3,109
Cash flow hedging	**15,000**	**20,000**	**30,000**	**65,000**	**4,383**	
Interest rate derivatives	15,000	20,000	30,000	65,000	4,383	
Total	**189,480**	**1,847,209**	**339,000**	**2,375,689**	**53,220**	**5,584**

Derivatives total	**53,220**	**5,584**

In the financial year 2017, EUR -1,298 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective portion of cash flow hedging totalled EUR 67 thousand in the financial year 2017 and was recognised in Net trading income.

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

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	1,629	2,551	457	4,637
Total	**1,629**	**2,551**	**457**	**4,637**

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

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

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

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

NOTE 12: INVESTMENT ASSETS

(EUR 1,000)	31.12.2017	31.12.2016
Available-for-sale financial assets		
Debt securities	623,796	700,564
Shares and participations	552,125	517,137
Total	**1,175,920**	**1,217,701**
Held-to-maturity investments		
Debt securities	41,763	46,454
Total	**41,763**	**46,454**
Investment property	42,994	42,625
Investment assets	**1,260,677**	**1,306,780**

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

31.12.2017 (EUR 1,000)	Available-for-sale Debt securities	Available-for-sale shares and participations			Held-to-maturity investments	Total
	At fair value	At fair value	At cost*	Total	At amortised cost	
Quoted	595,490	542,941		542,941	41,763	1,180,194
From public entities	138,105				2,004	140,109
From others	457,385	542,941		542,941	39,759	1,040,085
Other than quoted	28,306	5,662	3,521	9,184		37,489
From others	28,306	5,662	3,521	9,184		37,489
Total	**623,796**	**548,603**	**3,521**	**552,125**	**41,763**	**1,217,683**

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

Impairment losses on available-for-sale financial assets (EUR 1,000)	Debt securities	Shares and participations	Total
Impairment losses 1 January 2017	1,239	778	2,017
+ increase in impairment losses	145	160	305
- reversal of impairment losses	-1,256	-138	-1,394
Impairment losses 31 December 2017	**128**	**800**	**928**

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

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

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

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

NOTE 13: LIFE INSURANCE ASSETS

(EUR 1,000)	31.12.2017	31.12.2016
Investments covering for unit-linked policies		
At fair value through profit or loss		
Investment funds	390,543	330,174
Asset management portfolios	123,027	93,696
Other unit-linked covering assets	157,613	92,637
Investments covering for unit-linked policies total	**671,183**	**516,506**
Other investments		
At fair value through profit or loss		
Debt securities	1,797	1,537
Total	**1,797**	**1,537**
Available-for-sale financial assets		
Debt securities	3,403	8,243
Shares and participations	177,775	178,961
Total	**181,178**	**187,205**
Other investments total	**182,975**	**188,741**
Life insurance investments	**854,158**	**705,247**
Other assets		
Other receivables	962	2,846
Accrued income	302	280
Total	**1,264**	**3,127**
Total life insurance assets	**855,422**	**708,374**

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

(EUR 1,000)	31.12.2017			31.12.2016		
	Debt securities	Shares and participations	Derivatives	Debt securities	Shares and participations	Derivatives
Quoted	1,797	671,183		1,537	516,506	
From others	1,797	671,183		1,537	516,506	
Total	**1,797**	**671,183**	**0**	**1,537**	**516,506**	**0**

Available-for-sale life insurance financial assets

31.12.2017	Available-for-sale debt securities	Available-for-sale shares and participations
(EUR 1,000)	At fair value	At fair value
Quoted	3,403	172,900
From others	3,403	172,900
Other than quoted	0	4,875
From others		4,875
Total	**3,403**	**177,775**

Available-for-sale life insurance financial assets

31.12.2016	Available-for-sale debt securities	Available-for-sale shares and participations
(EUR 1,000)	At fair value	At fair value
Quoted	8,243	173,885
From others	8,243	173,885
Other than quoted	0	5,076
From others		5,076
Total	**8,243**	**178,961**

LIABILITIES

NOTE 14: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31.12.2017	31.12.2016
Liabilities to credit institutions		
Liabilities to central banks	38,000	18,000
Liabilities to credit institutions	190,458	209,049
Total	**228,458**	**227,049**
Liabilities to customers		
Deposits	6,375,524	6,059,467
Other financial liabilities	2,401	4,362
Change in the fair value of deposits	41,618	57,798
Total	**6,419,543**	**6,121,627**
Liabilities to credit institutions and customers	**6,648,001**	**6,348,676**

NOTE 15: DEBT SECURITIES ISSUED

(EUR 1,000)	31.12.2017	31.12.2016
Measured at amortised cost		
Bonds	1,270,313	1,213,851
Secured bonds	996,430*	498,460
Other		
Certificates of deposit	296,386	337,277
Debt securities issued	**2,563,128**	**2,049,588**
Of which		
Variable interest rate	608,858	642,607
Fixed interest rate	1,954,270	1,406,981
Total	**2,563,128**	**2,049,588**

* In October, Sp Mortgage Bank issued a EUR 500 million covered bond under its covered bond programme. S&P Global Ratings assigned a credit rating of AAA for the bond. The euro-denominated reference loan has a maturity of five years. S&P Global Ratings granted a credit rating of AAA for the bond, and the bond is listed on the Dublin Stock Exchange.

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

NOTE 16: LIFE INSURANCE LIABILITIES

(EUR 1,000)	31.12.2017	31.12.2016
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	128,764	146,574
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	515,265	425,835
Liabilities for unit-linked investment contracts	156,519	89,541
Reserve arising from liability adequacy test	-	-
Other liabilities		
Accrued expenses and deferred income	1,944	1,651
Other	638	725
Life insurance liabilities	**803,130**	**664,327**

Liabilities related to insurance policies are measured in compliance with the Finnish Accounting Standards.

In liability adequacy test, the adequacy of liabilities for insurance policies is compared to the liabilities derived from the internal model. The adequacy test is described in more detail in the accounting policies.

OTHER NOTES

NOTE 17: FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

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

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

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

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

Fair value hierarchy

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

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

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

Transfers between levels

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

In the financial year 2017, there were no significant transfers between levels 1, 2 and 3.

31.12.2017	Carrying amount	Fair value by hierarchy level			Fair value
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	9,325	552		8,772	**9,325**
Asset Management and Life Insurance*	672,980	671,183		1,797	**672,980**
Other operations**	25,369	25,369			**25,369**
Derivative contracts					
Banking	53,220		53,220		**53,220**
Available-for-sale financial assets					
Banking	1,175,920	1,136,538	9,986	29,817	**1,176,341**
Asset Management and Life Insurance	181,178	174,496		6,682	**181,178**

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

31.12.2017	Carrying amount	Fair value by hierarchy level			Fair value
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at amortised cost					
Investments held-to-maturity					
Banking	41,763	43,828			**43,828**
Loans and receivables					
Banking	8,905,510		10,463,054	4,245	**10,467,298**
Total financial assets	**11,065,265**	**2,051,967**	**10,526,260**	**51,312**	**12,629,539**
Investment property					
Banking	42,994			69,247	69,247
Total	**42,994**	**0**	**0**	**69,247**	**69,247**

31.12.2017	Carrying amount	Fair value by hierarchy level			Fair value
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Asset Management and Life Insurance*	671,784	671,784			**671,784**
Other operations**	25,369	25,369			**25,369**
Derivative contracts					
Banking	5,584		5,584		**5,584**
Measured at amortised cost					
Banking	9,311,414	2,190,258	6,605,525	523,591	**9,319,374**
Total financial liabilities	**10,014,150**	**2,887,411**	**6,611,109**	**523,591**	**10,022,111**

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

Changes at level 3

Reconciliation of changes in financial assets at level 3

Financial assets at fair value through profit or loss (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2017	**8,811**	**1,537**	**10,347**
Matured during the period	-300		-300
Changes in value recognised in income statement, realised	257		257
Changes in value recognised in income statement, unrealised	4	260	264
Carrying amount 31 December 2017	**8,772**	**1,797**	**10,568**

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

Derivatives (net) (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2017	**1,239**	**0**	**1,239**
Changes in value recognised in income statement, unrealised	-172		-172
Transfers to level 1 and 2	-1,067		-1,067
Carrying amount 31 December 2017	**0**	**0**	**0**

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

Available-for-sale financial assets (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2017	**28,684**	**5,076**	**33,760**
Purchases	4,485	1,807	6,292
Sales	-3,040	-160	-3,200
Matured during the period	-3,884		-3,884
Changes in value recognised in income statement, realised	1	1	2
Changes in value recognised in income statement, unrealised	-113		-113
Changes in value recognised in comprehensive income statement	551	-42	509
Trasfers from level 1 and 2	5,682		5,682
Transfers to level 1 and 2	-2,548		-2,548
Carrying amount 31 December 2017	**29,817**	**6,682**	**36,499**

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

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)		
31.12.2017	Carrying amount	Negative effect of hypothetical changes' on profit
At fair value through profit or loss		
Banking	8,772	-218
Asset Management and Life Insurance	1,797	-1
Total	**10,569**	**-219**
Available-for-sale financial assets		
Banking	29,817	-634
Asset Management and Life Insurance	6,682	-1,272
Total	**36,499**	**-1,906**
Total	**47,068**	**-2,125**

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

31.12.2016	Carrying amount	Fair value by hierarchy level			Fair value
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	total
Measured at fair value					
At fair value through profit or loss					
Banking	9,460	649		8,811	**9,460**
Asset Management and Life Insurance*	518,043	516,506		1,537	**518,043**
Other operations**	108,595	108,595			**108,595**
Derivative contracts					
Banking	72,024		70,785	1,239	**72,024**
Available-for-sale financial assets					
Banking	1,217,220	1,172,058	16,478	28,684	**1,217,220**
Asset Management and Life Insurance	187,205	182,128		5,076	**187,205**
Other operations	482	482			**482**
Measured at amortised cost					
Investments held-to-maturity					
Banking	46,454	46,688		301	**46,989**
Loans and receivables					
Banking	8,064,383		9,428,289	3,837	**9,432,126**
Total financial assets	**10,223,865**	**2,027,106**	**9,515,552**	**49,485**	**11,592,143**
Investment property					
Banking	42,625			68,410	**68,410**
Total	**42,625**			**68,410**	**68,410**

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

31.12.2016	Carrying amount	Fair value by hierarchy level			Fair value
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	total
Measured at fair value					
At fair value through profit or loss					
Asset Management and Life Insurance*	515,377	515,377			**515,377**
Other operations**	108,595	108,595			**108,595**
Derivative contracts					
Banking	2,289		2,289		**2,289**
Measured at amortised cost					
Banking	8,520,000	1,689,352	6,797,932	82,456	**8,569,740**
Total financial liabilities	**9,146,260**	**2,313,323**	**6,800,221**	**82,456**	**9,196,001**

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3.

Financial assets at fair value through profit or loss (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2016	**14,431**	**5,700**	**20,130**
Purchases	402		402
Sales	-3,104	-4,194	-7,298
Matured during the period	-3,300		-3,300
Changes in value recognised in income statement, realised	159	12	171
Changes in value recognised in income statement, unrealised	224	20	244
Carrying amount 31 December 2016	**8,811**	**1,537**	**10,347**

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

Derivatives (net) (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2016	**1,024**	**0**	**1,024**
Purchases	946		946
Sales	-1		-1
Matured during the financial year	-796		-796
Changes in value recognised in income statement, unrealised	66		66
Carrying amount 31 December 2016	**1,239**	**0**	**1,239**

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

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

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

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

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

NOTE 18: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

30.12.2017				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments, carrying amount in statement of financial position, gross	Financial instruments held/given as collateral	Cash held/given as collateral	Net amount
Assets							
Derivative contracts				52,143		33,588	18,555
Total				**52,143**	**0**	**33,588**	**18,555**
Liabilities							
Derivative contracts				5,584		339	5,185
Total				**5,584**	**0**	**339**	**5,185**

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

NOTE 19: COLLATERALS

(EUR 1,000)	31.12.2017	31.12.2016
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Pledges	25,585	37,628
Loans *	1,485,159	703,492
Other	12,750	16,284
Collateral given	**1,523,494**	**757,404**
Collateral received		
Real estate collateral	7,372,032	6,584,761
Securities	38,370	42,032
Other	76,222	73,282
Guarantees received	59,162	60,575
Collateral received	**7, 545,786**	**6,760,650**

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

NOTE 20: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	31.12.2017	31.12.2016
Guarantees	59,277	63,467
Loan commitments	596,311	487,120
Other	7,607	8,120
Off balance-sheet commitments	**663,195**	**558,707**

NOTE 21: RELATED PARTIES

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

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

Related party transactions consists mainly of granting of loans, deposits and guarantees.

2017 (EUR 1,000) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	7,100	887	7,325	15,311
Total assets	**7,100**	**887**	**7,325**	**15,311**
Liabilities				
Deposits	4,960	2,138	2,806	9,905
Other liabilities	1,114	139	4,821	6,073
Total liabilities	**6,074**	**2,277**	**7,627**	**15,979**
Off balance-sheet commitments				
Loan commitments	570	229	4,732	5,531
Total	**570**	**229**	**4,732**	**5,531**
Revenue and expense 1-12/2017				
Interest income	52	17	135	204
Interest expense	-15	2		-13
Insurance premiums	505	53		558
Fee and commission income	7	3	60	69
Other expenses			-41,135	-41,135
Impairments				0
Total	**549**	**75**	**-40,940**	**-40,316**

* Including key management personnel and their close family members.
**Including entities which the key management personnel or their close family members control or have shared control.

(EUR 1,000) Key management personnel compensation	1-12/2017	1-12/2016
Short-term employee benefits	2 671	2,026
Other long-term benefits	316	192
Total	**2,987**	**2,218**

2016 (EUR 1,000) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	5,933	1,267	6,716	13,915
Total assets	**5,933**	**1,267**	**6,716**	**13,915**
Liabilities				
Deposits	5,667	1,850	3,500	11,018
Other liabilities	1,029	396	3,674	5,099
Total liabilities	**6,696**	**2,246**	**7,174**	**16,117**
Off balance-sheet commitments				
Loan commitments	493	169	4,858	5,520
Total	**493**	**169**	**4,858**	**5,520**
Revenue and expense 1-12/2016				
Interest income	49	22	141	210
Interest expense	-49	-3		-53
Insurance premiums	242	76		317
Fee and commission income	4	3	219	225
Other expenses			-36,626	-36,626
Impairments				0
Total	**245**	**97**	**-36,267**	**-35,927**

* Including key management personnel and their close family members.
**Including entities which the key management personnel or their close family members control or have shared control.

CAPITAL ADEQUACY INFORMATION

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

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

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

Capital requirement for the credit risk is calculated with standard method. The capital requirement for the operational risk is calculated with the basic method. The capital requirement relating to market risk is calculated with the basic method on the foreign exchange position.

Capital adequacy's main items

Own funds (EUR 1,000)	31.12.2017	31.12.2016
Common Equity Tier 1 (CET1) capital before regulatory adjustments	969,674	915,685
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-30,591	-27,835
Common Equity Tier 1 (CET1) capital	**939,082**	**887,850**
Additional Tier 1 (AT1) capital before regulatory adjustments	0	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**939,082**	**887,850**
Tier 2 (T2) capital before regulatory adjustments	45,483	48,717
Total regulatory adjustments to Tier 2 (T2) capital	0	0
Tier 2 (T2) capital	**45,483**	**48,717**
Total capital (TC = T1 + T2)	**984,565**	**936,567**
Risk weighted assets	**5,165,694**	**4,805,436**
of which: credit and counterparty risk	4,601,921	4,250,278
of which: credit valuation adjustment (CVA)	72,541	98,561
of which: market risk	39,879	35,147
of which: operational risk	451,354	421,450
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.2 %	18.5 %
Tier 1 (as a percentage of total risk exposure amount)	18.2 %	18.5 %
Total capital (as a percentage of total risk exposure amount)	19.1 %	19.5 %
Capital requirement		
Total capital requirement	984,565	936,567
Capital requirement total *	569,379	504,571
of which: Pillar 2 additional capital requirement	25,828	0
Capital buffer	415,186	431,996

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

NOTE 23: MINIMUM CAPITAL REQUIREMENT

Credit and counterparty risk	31.12.2017	31.12.2017	31.12.2016	31.12.2016
Exposure class (EUR 1,000)	Risk weighted assets	Capital requirement	Risk weighted assets	Capital requirement
Exposures to central governments or central banks				
Exposures to regional governments or local authorities	498	40	415	33
Exposures to public sector entities				
Exposures to multilateral development banks	161	13	250	20
Exposures to international organisations				
Exposures to institutions	38,535	3,083	54,902	4,392
Exposures to corporates	1,002,963	80,237	917,146	73,372
Retail exposures	850,380	68,030	830,590	66,447
Exposures secured by mortgages on immovable property	1,943,450	155,476	1,727,994	138,240
Exposures in default	53,963	4,317	53,687	4,295
Exposures associated with particularly high risk	8,080	646	6,806	545
Exposures in the form of covered bonds	5,147	412	5,376	430
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	469,694	37,575	420,818	33,665
Equity exposures	87,942	7,035	97,589	7,807
Other items	141,109	11,289	134,706	10,776
Credit risk total	4,601,921	368,154	4,250,278	340,022
Credit valuation adjustment (CVA)	72,541	5,803	98,561	7,885
Market risk	39,879	3,190	35,147	2,812
Operational risk	451,354	36,108	421,450	33,716
Total	**5,165,694**	**413,256**	**4,805,436**	**384,435**

NOTE 24: TOTAL EXPOSURE

Credit and counterparty risk 31.12.2017

Exposure class (EUR 1,000)	Balance sheet items	Off balance sheet items	Derivatives	Total
Exposures to central governments or central banks	1,292,569	2		1,292,571
Exposures to regional governments or local authorities	14,449	3,607		18,056
Exposures to public sector entities				
Exposures to multilateral development banks	51,188			51,188
Exposures to international organisations				
Exposures to institutions	29,397	257	87,642	117,296
Exposures to corporates	1,022,237	140,116		1,162,353
Retail exposures	1,544,813	341,647		1,886,460
Exposures secured by mortgages on immovable property	5,585,622	144,055		5,729,677
Exposures in default	72,207	65		72,273
Exposures associated with particularly high risk	5,387			5,387
Exposures in the form of covered bonds	39,244			39,244
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	527,127			527,127
Equity exposures	50,068			50,068
Other items	164,227			164,227
Total	**10,398,535**	**629,749**	**87,642**	**11,115,925**

Credit and counterparty risk 31.12.2016

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

NOTE 25: RECONCILIATION OF OWN FUNDS

Reconciliation of own funds

(EUR 1,000)	31.12.2017	31.12.2016
Total shareholders' equity (IFRS)	1,017,520	953,402
Deductions	-49,356	-37,717
CET1 capital before statutory adjustments	**969,674**	**915,685**
Profit for the period	-2,607	-2,199
Cash flow hedging	-2,867	-3,905
Intangible assets	-23,608	-19,217
Difference in deferred tax assets	-1,510	-2,513
Total CET1 capital	**939,082**	**887,850**

Savings Bank

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