SAVINGS BANKS GROUP'S

Board of Directors' Report and
Consolidated IFRS Financial Statements
31 December 2017

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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 Banks 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 Banks 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 Banks 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 regulative 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 per cent. The industrial countries reached a growth rate of approximately 2.5 per cent, 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 seven per cent, 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 per cent.

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 3 % 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 (57,2), 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 fund-raising 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 pre-vious 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 per cent risk weight to internal credit institution liabilities included within the scope of the Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010).

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

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 Note 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 Banks 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.

The Savings Banks Group publishes its non-financial information as part of a separate GRI-report which will be published in April. The GRI-report is available on the Saving Banks Groups website.

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 2017, 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 Savings Banks Group's through its own activity. Sp Mortgage Bank is responsible for Savings Banks Group's covered bond issuance.

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

During the financial year, Sp Mortgage Bank's operations proceeded as planned and the loan portfolio reached at the end of the year the amount of EUR 1,535 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 grew by 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 Sb-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 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:

Tomi Närhinen, Managing Director

tel. +358 40 724 3896

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.

SAVINGS BANKS GROUP'S CONSOLIDATED IFRS FINANCIAL STATEMENTS

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	**7**	**142,176**	**131,693**
Net fee and commission income	8	79,159	71,428
Net life insurance income	9	3,156	-56
Net trading income	10	39,065	17,809
Net investment income	11	15,552	11,810
Other operating revenue	13	3,083	12,692
Total operating revenue		**282,191**	**245,376**
Personnel expenses	14	-79,781	-76,117
Other operating expenses	15	-88,913	-81,944
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	16	-13,999	-10,732
Total operating expenses		**-182,693**	**-168,792**
Net impairment loss on financial assets	21	-13,266	-8,411
Associate's share of profits	25	1,977	1,430
Profit before tax		**88,210**	**69,603**
Income tax expense	17	-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	19	1,118,938	1,100,784
Financial assets at fair value through profit or loss	20	34,694	118,055
Loans and advances to credit institutions	21	33,181	20,855
Loans and advances to customers	21	7,753,391	6,942,744
Derivatives	22	53,220	72,024
Investment assets	23	1,260,677	1,306,780
Life insurance assets	24	855,422	708,374
Investments in associates and joint ventures	25	7,952	7,086
Property, plant and equipment	26	51,341	56,711
Intangible assets	27	28,725	22,137
Tax assets	28	3,009	3,977
Other assets	29	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	30	25,369	108,595
Liabilities to credit institutions	31	228,458	227,049
Liabilities to customers	31	6,419,543	6,121,627
Derivatives	22	5,584	2,289
Debt securities issued	32	2,563,128	2,049,588
Life insurance liabilities	33	803,130	664,327
Subordinated liabilities	34	100,284	121,735
Tax liabilities	28	62,907	66,403
Provisions and other liabilities	35	100,181	108,631
Total liabilities		**10,308,585**	**9,470,245**
Equity			
Basic capital	36	20,338	20,338
Reserves	36	285,435	291,361
Retained earnings	36	685,279	617,709
Total equity attributable to equity holders of the Group	**36**	**991,053**	**929,408**
Non-controlling interests	36	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**
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

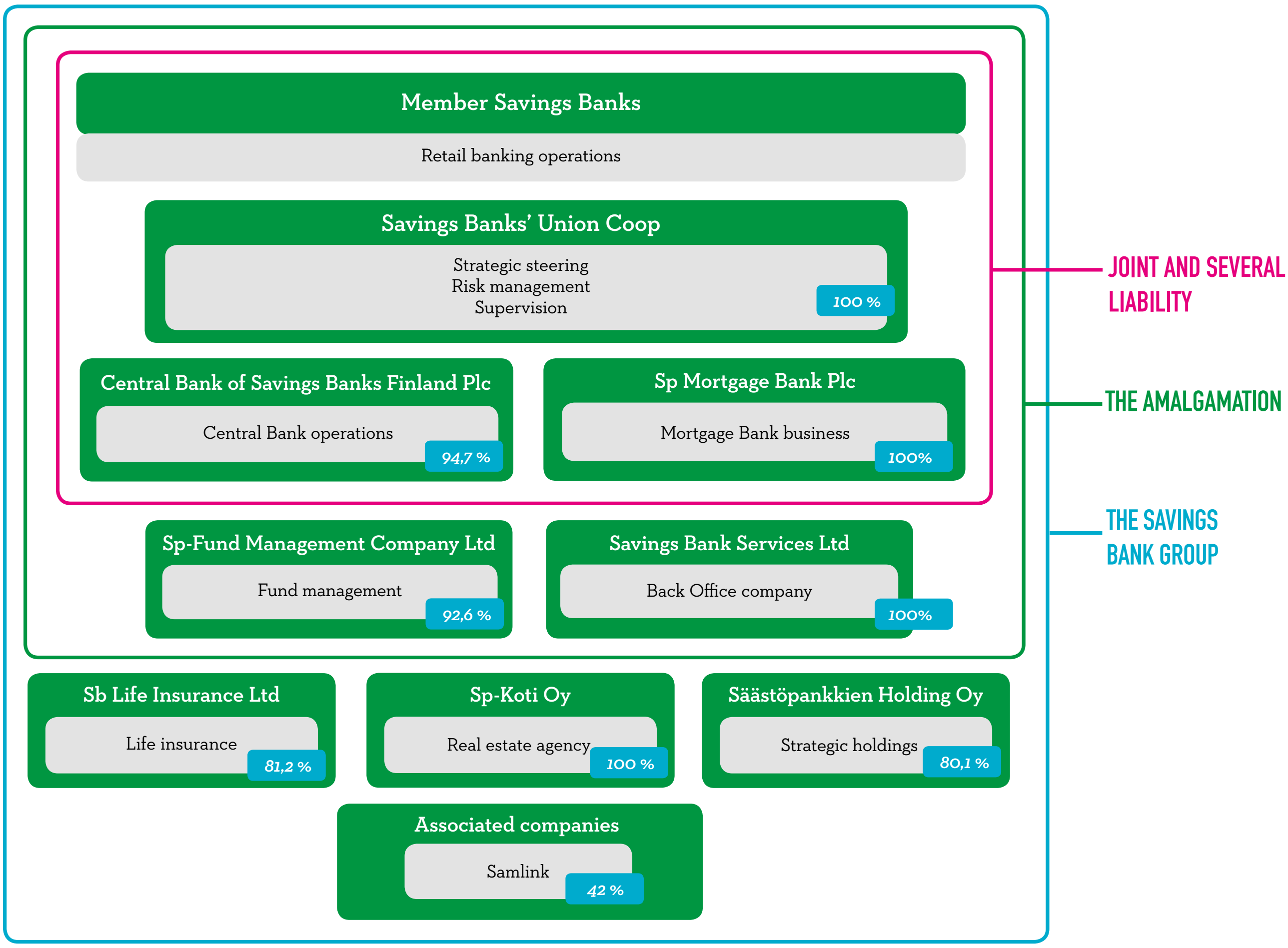
NOTE 1: DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

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 June 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 Report are available at *www.saastopankki.fi/saastopankkiryhma* or at the premises of Savings Banks' Union Coop, address Teollisuuskatu 33, FI-00510 Helsinki.

The Board of directors of Savings Banks' Union Coop has in their meeting 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 Standards (IFRS) as implemented within the EU.

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

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 thousands of euros unless otherwise stated.

Assets and liabilities denominated in a foreign currency outside the euro zone are converted into euros at the European Central Bank's average rate on the date of the financial statements. The exchange rate differences taking place during valuation are recognised as Net income from foreign exchange operations under Net trading income in the income statement. Exchange rate differences resulting from life insurance operations are included in Net life insurance income.

The Group's consolidated financial statements are prepared based on original acquisition costs, except for financial assets and liabilities recognized at fair value through profit or loss, available-for-sale financial assets, and the hedged items of fair value hedges (hedged risk), which are measured at fair value.

Assets and liabilities are offset and the net amount reported in balance sheet only if the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Consolidation principles

Technical parent company

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

The Savings Banks' Union Coop and its member Savings Banks do not exercise control over each other. It is therefore not possible to define a parent company for the Group. The so-called technical parent company referred to in the Group's IFRS financial statements is formed out of 22 member Savings Banks, which jointly exercise control over the other organisations consolidated in the Group's IFRS financial statements. The technical parent company's mutual ownership, intercompany business transactions, mutual receivables and liabilities, internal distribution of profits and intercompany margins are eliminated.

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

Subsidiaries

Group subsidiaries are entities over which the Group has control.

The Group has control in an entity if the Group has power over the entity and is exposed to the entity's variable returns or is entitled to its variable returns and the Group is able to use its power over the entity and thereby affect the amount of returns received. Control is obtained on the basis of voting rights.

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

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

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

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

Structured entities

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

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

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

Associated companies and joint arrangements

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

An associated company is consolidated in the Group's financial statements using the equity method, meaning that the associated company's income statement and balance sheet are not included in the Group's income statement and balance sheet in full, but the consolidated balance sheet presents the Group's share of the associated company's equity in the item Investments in associates, whereas the Group's share of the associated company's profits is presented in the consolidated income statement under Associate's share of profits.

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

Financial instruments

Classification and recognition

In accordance with IAS 39, financial assets are classified into four categories for valuation:

- Financial asset at fair value through profit or loss
- Available-for-sale financial assets
- Held-to-maturity investments
- Loans and other receivables

Financial liabilities are divided into two categories for valuation:

- Held-for-trading financial liabilities
- Other financial liabilities

Classification in the Savings Banks Group's balance sheet is independent of the IAS 39 categories. Different valuation bases can therefore be applied to assets and liabilities recognised on the same line in the balance sheet. The classification of financial assets and liabilities recognised in the balance sheet into valuation categories is set out in Note 18.

The purchase and sale of financial instruments is recognised according to the date of transaction.

Upon initial recognition, all financial assets and financial liabilities are recognised at fair value. In the case of assets and liabilities recognized at fair value through profit or loss, the transaction costs are recognised directly in the income statement at the time of acquisition. In the case of other financial instruments, transaction costs are included in the acquisition cost.

Financial assets and liabilities are netted in the balance sheet if the Group has a legally enforceable right to off-set in regular business operations as well as in the case of failure-to-act, insolvency and bankruptcy, and it intends to realize the items in net terms. The Group has not netted financial assets and liabilities in its balance sheet.

Financial assets are derecognised when the contractual rights to the cash flows of the financial item within financial assets expire or when the rights are transferred to another party in such a way that the risks and rewards have essentially been transferred. Financial liabilities are derecognised when their obligations have been settled and they have expired.

Financial assets recognized at fair value through profit or loss

Financial assets and financial liabilities recognised at fair value through profit and loss are further divided into financial instruments held for trading and financial instruments that are classified to be recognised fair value through profit or loss upon initial recognition.

Assets held for trading consist of listed financial instruments and derivatives that were made for hedging purposes, but which do not qualify for hedge accounting. The Group does not engage in significant trading activity on its own account, and therefore it has a very limited supply of assets held for trading. Among financial liabilities held for trading are derivative contracts that do not qualify for hedge accounting and whose fair value is negative.

Some financial assets and financial liabilities that are not held for trading purposes are subject to the option included in IAS 39 to classify financial instruments as at fair value through profit or loss. Within the Group, compound financial instruments are classified into this category; they contain an embedded derivative that is not separated from the master contract. In addition, the interests of other investors than the Savings Banks Group in the assets and liabilities of the consolidated funds are classified as at fair value through profit or loss in order to avoid accounting asymmetries arising from their treatment.

Financial instruments recognised at fair value through profit and loss are recognised in the balance sheet at fair value, and the changes in their fair value are recognised in the income statement under Net trading income.

In addition in life insurance business, investments covering unit-linked contracts are classified as financial assets at fair value through profit or loss, and they are presented in the balance sheet under Life insurance assets. Investments covering unit-linked contracts are managed at fair value.

Held-to-maturity financial assets

Held-to-maturity financial assets include interest-bearing financial assets whose payments are fixed or determinable, which mature on a specified date and are owned by the Savings Banks Group and which the Group is able to and firmly intends to hold to maturity.

Financial assets classified as held-to-maturity are measured at amortised cost or at cost less impairment losses if there is objective evidence of the impairment.

Loans and other receivables

Financial assets classified as loans and receivables are non-derivative financial assets which include fixed or determinable payments and are not quoted in an active market.

Loans and other receivables are initially recognised at fair value, taking into account directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortised cost.

Available-for-sale financial assets

Financial assets that are not classified into the above categories are classified as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value. However, unlisted equity financial assets are valued at acquisition cost or at acquisition cost less impairments. Changes in the fair value of available-for-sale financial assets, adjusted for deferred taxes, are recognised through other comprehensive income in the fair value reserve in equity. Exchange gains and losses resulting from items denominated in a foreign currency are not recognised in the fair value reserve but directly in profit or loss. In the case of disposal, sale or write-down, value change is derecognised from the fair value reserve to Net investment income in the income statement.

Other financial liabilities

Other financial liabilities are recognised in the balance sheet at fair value at the time of contract conclusion and subsequently using the effective interest method at amortised cost. Excluding derivative contracts, all financial liabilities are recognised at amortised cost in the balance sheet.

Determining fair value

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

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

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

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

- Fair values quoted in active markets for identical assets or liabilities (Level 1)

- Fair values that are determined using other input data than the quoted prices at Level 1, which are observable for the assets or liabilities either directly (e.g. prices) or indirectly (e.g. derived from prices) (Level 2)

- Fair values that are determined using input data which is essentially not based on observable market data (Level 3).

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

Derivative financial instruments and hedge accounting

Derivative financial instruments are valued at fair value in the financial statements, and value changes are recognised in the balance sheet and income statement or in other comprehensive income.

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

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

The effective portion of the fair value changes of derivatives hedging cash flow is recognised in the reserve for hedging instruments in equity, adjusted with deferred taxes. The ineffective portion of fair value change is recognised directly in the income statement under Net trading income. Changes in the time value of interest rate options that have been recognised as hedging instruments are also recognised as net trading income, because time value is not part of the hedging relationship. Interests on hedging derivatives are recorded as interest income and expense depending on their nature.

The cumulative change in the reserve for hedging instruments resulting from valuation of a hedging derivative is recognised in profit or loss as an adjustment of the hedged cash flow simultaneously with recognising the hedged cash flow. In the case of cash flow hedging, the hedged item is not measured at fair value.

Impairment loss on financial assets

Loans and receivables

The impairment losses of loans and other receivables are recognised on an individual and collective basis. Impairment losses are assessed individually if the debtor's total exposure is significant. Otherwise, impairments are assessed collectively.

Impairment losses on loans and receivables are recognised when objective evidence has emerged that the capital or interest of the loan or receivable will not be received, and the corresponding collateral is not sufficient to cover the amount. Evaluation of objective evidence is based on evaluation of the client's inability to pay and sufficiency of collateral. When recognising impairment, the collateral is measured at the amount it is likely to yield on realisation. Impairment loss is determined by the difference between the book value of the receivable and the present value of the estimated recoverable future cash flows, taking into account the fair value of the collateral. Estimated future cash flows are discounted using the receivable's original effective interest rate.

When calculating impairment of receivables on a collective basis, loans and receivables are classified into groups, after which the need for impairment losses is assessed collectively. The classification of receivables into groups is based on similar credit risk characteristics in order to assess the need for group-specific impairment losses on assets for which grounds for impairment have not yet been identified on an individual receivable basis.

Impairment losses on loans and receivables are recognised in the deduction account and offset against loans and receivables. In the income statement, impairment losses are recognised in the item impairment losses on loans and receivables. If it later appears that the impairment is not permanent, it is reversed.

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

Held-to-maturity financial investments

If objective evidence emerges at the reporting date that the value of a debt instrument classified as held-to-maturity has decreased, the debt instrument is subjected to an impairment test.

If during the review the value is found to be impaired, impairment is recognised in the income statement under "Net investment income". Impairment loss is determined by the difference between the book value and the present value of the estimated recoverable future cash flows. Estimated future cash flows are discounted using the receivable's original effective interest rate.

Financial assets available for sale

If objective evidence emerges at the reporting date that the value of a security classified as an available-for-sale financial asset may be impaired, the security is subjected to an impairment test. If during the review the value is found to be impaired, the loss accumulated in the fair value reserve is recognised in the income statement under "Net investment income". Objective evidence of impairment of an investment in an equity instrument includes e.g. serious financial difficulties of the issuer or debtor as well as information about significant, negative changes in the technology or market environment or in the economic or legal environment in which the issuer operates. Such evidence suggests that the acquisition cost of an investment in an equity instrument may not be recovered. Also, a significant or prolonged decline of the fair value of an investment in an equity instrument below its acquisition cost is objective evidence of impairment. The management of the Group has determined that a decline in fair value is significant when it is more than 30% below the instrument's acquisition cost and long-term when the impairment has continuously lasted for more than 18 months.

Impairment loss on an equity investment is recognised as the difference between the acquisition cost and the fair value at the reporting date less any earlier impairment losses on that an item which have been recognised in the income state-ment. Impairment losses on an investment in an equity instrument which is classified as available-for-sale are not reversed through profit or loss; instead, the subsequent change in value is recognised in the fair value reserve.

The impairment test of an available-for-sale non-equity financial instrument, such as a bond, is mainly based on the future cash flows. A decrease in fair value which is solely due to the rise of risk-free market interest rate does not give rise to im-pairment loss recognition. Instead, growth of the counterparty's credit risk premium may be a sign of impaired ability to pay.

For debt securities, impairment loss is determined by the difference between the book value and the present value of the estimated recoverable future cash flows. Reversal of impairment is recognised in profit or loss.

Leases

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

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

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

Employee benefits

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

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

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

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

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

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

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

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

Life insurance assets and liabilities

Classifying insurance policies into insurance and investment contracts

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

The Group's insurance contracts (loan insurance, savings insurance, voluntary pension and (voluntary) group pension, capitalisation agreement and capitalisation agreement) with asset management are treated in the Group's financial statements in accordance with IFRS 4 Insurance Contracts. Policies classified as investment contracts (asset management policy), on the other hand, are treated in accordance with IAS 39. Reinsurance contracts are treated in accordance with IAS 4 as insurance contracts.

Liabilities for insurance and investment contracts

Insurance liabilities are recognised in accordance with the Finnish Accounting Standards with the exception of the equalisation provision, which is adjusted to the equity with a deferred tax liability.

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

Insurance contract liability for unearned premiums and the liability for outstanding pensions are defined based on insurance savings, which consist of premiums paid, credits, debits and value changes, supplementing it with future interest and operating expense. The discount rate for insurances entitling the policyholder to discretionary benefits has been reduced to 0.5 per cent for those contracts whose guaranteed interest rate exceeds 2 per cent. The average discount rate is 0.1 per cent.

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

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

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

Adequacy test of liabilities for insurance policies

According to IFRS 4, an insurer shall assess at each reporting date whether the recognized insurance liabilities are adequate, using current estimate of future cash flows from insurance contracts. Liability adequacy test is performed on the insurance contracts of the Group which are valued according to IFRS 4. In the liability adequacy test, the liability based on the national principles (without provision equalization) for insurance contracts compliant with IFRS 4 is compared with the present value of all of the cash flows related to the insurance contracts including a risk margin.

If the liability adequacy test shows that the liability calculated based on the Finnish accounting principles is, as a whole, less than the market value of liability, then an add-on equal to the difference between the two liabilities is added to the liability of the Group.

The life insurance business' equity principle

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

Intangible assets

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

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

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

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

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

Estimated useful lives are mainly as follows:

Information systems purchased from a third party	3-5 years
Basic systems	5-10 years
Other intangible assets	2-5 years

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

Property, plant and equipment and investment property

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

The Group's properties are divided according to the purpose of use into owner-occupied properties and investment proper-ties. The purpose of investment property is to produce rental income or capital appreciation. Some of the properties are used partly as an investment and partly in own or personnel use. If these parts could be sold separately, the Group accounts for them separately according to the purpose of use. If the parts cannot be sold separately, the property is treated as an investment property only if an insignificant part of the property is used by the Group or the personnel. The division is done in proportion to the square meters used for different purposes.

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

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

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

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

Estimated useful lives are in mainly as follows:

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

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

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

Provisions and contingent liabilities

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

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

Taxes

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

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

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

Revenue recognition

Interest income and expense

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

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

Fee and commission income

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

Net trading income

Capital gains and losses, valuation gains and losses, and dividend income from financial instruments recognized at fair value in profit or loss are recognised in net trading income. In addition, this item includes net income from foreign exchange operations and net income from fair value hedge accounting.

Net investment income

Net investment income includes net income from available-for-sale financial assets (capital gains and losses, impairment losses and dividend income) and net income from investment property (rental and dividend income, capital gains and losses, maintenance charges and expenses, depreciation and amortisation, as well as rental expenses).

Net life insurance income

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

Other operating revenue

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

ADOPTION OF NEW IFRS STANDARDS AND INTERPRETATIONS

New and amended standards applied in financial year ended

Savings Banks Group has applied as from 1 January 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 and 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 and 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	Reclassifi-cations	Remeasure-ments	IFRS 9 carry-ing 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 42.6 million euros, were classified as fair value through profit and 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 and loss. At 1 January 2018 the amount affected by the classification change amounted to 532.5 million euros.
- 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 and 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 Groups 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**		
Remeasurements			
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**		
Remeasurements			
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.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Determining fair value

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

Impairment of financial assets

The management must also regularly assess whether there is objective evidence of impairment of loans and receivables. Impairment testing on receivables is performed on an individual or collective basis. Impairment of an individual receivable is based on the management's estimate of the future cash flows of the receivable. Identification of objective criteria and estimation of future cash flows require the management's estimates. The principles of impairment of individual and collective receivables are presented in more detail in section "Impairment loss on financial assets" in the accounting policies.

Impairment testing of other financial assets, not recognised at fair value through profit or loss, is performed at least at each reporting date. Impairment loss is recognised in profit or loss if there is objective evidence of the impairment. For available-for-sale equity instruments, impairment is also recognized if it is considered to be significant or prolonged. The management must determine when impairment is considered significant or prolonged. More detailed principles in relation to the impairments of other financial instruments are presented in section "Impairment loss on financial assets" in the accounting policies.

Impairment of non-financial assets

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

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

Actuarial calculations

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

Deferred tax assets

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

Present value of pension obligation

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

RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT POLICIES OF THE GROUP

NOTE 4: CORPORATE GOVERNANCE POLICIES

Savings Banks' Union Coop General Meeting

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

Supervisory Board

The general meeting elects the members of the Supervisory Board and their personal deputies for the term extending untill the next ordinary general meeting. The Supervisory Board consists of 9-35 members.

The Supervisory Board had 22 members and each member has a deputy member. The Chairman of the Supervisory Board has been Mr Jaakko Puomila with Mr Pauli Kurunmäki acting as vice-chairman. The members of the Supervisory Board are Chairmen of the boards of Savings Banks and the deputies are deputy Chairmen of the Savings Banks' board of directors.

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

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

Board of Directors

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

The members of the Board of Directors consists largely of directors of savings banks and the representation of all size of saving banks as well as Swedish speaking banks is ensured. The Board of Directors must comply with the regulation set by the Act of the Credit institution, ECB Banking Supervision and Finnish Financial Supervisory Authority regarding the competence and independence requirements for the Central Institution. Each member of the Board of Directors must present enough accurate information, so that their competence and independence can be justified. The principles concerning diversity have been taken into consideration in the composition of the Board of Directors. Each member of the Board are expected to have enough time to work for the Central Institution. The Board of Directors within the Saving Banks's Group are accounted to be one membership.

The principles concerning diversity has been taken into consideration in the composition of the Board of Directors, which have been approved 18.3.2015. The objective is to ensure the competence and diversity of the Board of Directors required by a sound corporate culture, to preserve the value through effective moni-toring of business operations and to increase the value with insight and strategic thinking. The nomination committee assess regularly the composition of the Board of Directors and give recommendation for the possible changes. The Board of Directors assess regularly through the self-assessment the members of the Board and their competence. The share of female board members was 38 per cent in 2017. By the decision of the Savings Banks Union Coop General meeting at 16.3.2017, the members of the Board of Directors were Mr Kalevi Hilli (chairman), Mr Toivo Alarautalahti (vice-chairman), Ms Pirkko Ahonen, Mrs. Sanna Ahonen, Mr Peter Finne, Mr Jussi Hakala, Mr Jan Korhonen and Mrs. Marja-Leena Tuomola The Directors are CEOs of the Savings Banks, except Mrs. Ahonen and Mrs. Tuomola, who are the independent members of the Board of Directors.

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

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

Committees

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

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

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

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

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

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

Managing Director

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

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

Audit

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

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

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

Legal structure of the Savings Banks Amalgamation and Savings Banks Group

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

Members of the Savings Banks' Union Coop

As of 31 December 2017, the Savings Banks' Union Coop members were:

Aito Säästöpankki Oy

Avain Säästöpankki

Ekenäs Sparbank

Eurajoen Säästöpankki

Helmi Säästöpankki Oy

Huittisten Säästöpankki

Kalannin Säästöpankki

Kiikoisten Säästöpankki

Kvevlax Sparbank

Lammin Säästöpankki

Liedon Säästöpankki

Länsi-Uudenmaan Säästöpankki

Mietoisten Säästöpankki

Myrskylän Säästöpankki

Nooa Säästöpankki Oy

Närpes Sparbank Ab

Pyhärannan Säästöpankki

Someron Säästöpankki

Suomenniemen Säästöpankki

Sysmän Säästöpankki

Säästöpankki Optia

Säästöpankki Sinetti

Ylihärmän Säästöpankki

Central Bank of Savings Bank Finland Plc

Sp Mortgage Bank Plc

Risk management and internal control framework of the Savings Banks Amalgamation

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

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

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

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

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

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

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

- the achievement of goals and objectives
- economical and efficient processes
- management of risks related to operations
- the reliability and validity of financial and other management information
- compliance management
- adequate security of operations, data as well as company and customer assets, and
- appropriate and adequate manual and automated information systems in support of business operations.

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

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

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

- Risk control
- Compliance
- Internal audit

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

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

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

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

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

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

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

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

Member credit institutions' solvency and its control

The minimum own funds of a member credit institution may, with the consent of the Central Institution, be lower than what is required by the Act on Credit Institutions. The Central Institution may not give such consent to a member institution that has failed to comply with the Central Institution's guidelines referred to in Section 17 of the Amalgamation Act, unless the failure is insignificant. Such consent may be given for three years as a maximum. The member institution must, however, secure its solvency by having own funds in the amount of at least 80% of the amount required by the Act on Credit Institutions.

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

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

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

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

Joining the Savings Banks Amalgamation; withdrawal from membership

Members of the Central Institution may include credit institutions whose rules or Articles of Association are in line with the provisions of the Amalgamation Act and whose rules or Articles of Association the Central Institution has approved. Admission of new members is decided upon by the General Meeting.

A member credit institution has a right to withdraw its Central Institution membership. Regardless of withdrawal, the aggregate amount of the member companies` own funds must remain at the level required by the Amalgamation Act.

A member credit institution may also be removed from the Central Institution membership in accordance with the Cooperatives Act. A member may also be expelled if it has failed to comply with the Central Institution's guidelines issued by virtue of Section 17 of the Amalgamation Act in a manner that puts the liquidi-ty or solvency management or the application of uniform accounting principles or their monitoring in the Amalgamation at a significant risk. Expulsion is also possible if a member institution acts materially in breach of the Amalgamation's general operating principles confirmed by the Central Institution.

The provisions of the Amalgamation Act governing the payment liability of a member credit institution also apply to a former member institution if less than five years have passed from the end of the calendar year of the member credit institution's withdrawal or expulsion when a demand regarding payment liability is made on the member credit institution.

Financial statements and audit of the Savings Banks Group

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

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

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

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

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

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

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

Deposit Guarantee Fund and Investors' Compensation Fund

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

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

Remuneration

The Amalgamation's remuneration policy is compliant with the European Union and national regulations and the Finnish Financial Supervisory Authority's guidelines. The remuneration system of our personnel and management is based on current legislation, financial regulations and recommendations as well as the Finnish corporate governance rules.

The Savings Banks Amalgamation's decisions on the remuneration system of personnel and management are based on Chapter 8, "Governance and control systems", of the Act on Credit Institutions.

By 'remuneration systems' it is meant the decisions, contracts, policies and procedures that are followed in rewarding the management and personnel. The remuneration system includes both the rewarding method and the processes related to its development and implementation. The remuneration system is developed actively and taking a long-term view in order to secure the Amalgamation's competitiveness, good economic growth, inventiveness, commitment and availability of new competent persons.

The remuneration policies are in line with Savings Banks Group`s business strategy, goals and values and serve its long-term interests. The principles cover the remuneration system of the executive management of the member institutions of the Amalgamation along with the roles and responsibilities of the remuneration system. The implementation of the principles is ensured through a clear remuneration system, guidance that is documented consistently and comprehensively as well as clearly defined decision-making and reporting levels. The Board of Directors of each member credit institution or other member company is responsible for the remuneration principles and system of their own organization with the executive management carrying out the implementation in accordance with the principles. The remuneration system is consistent with the good and efficient risk management of the member credit institutions and member companies of the Amalgamation and is always implemented within the framework of the Amalgamation's current risk-management principles. Remuneration does not encourage risk-taking that would exceed the sustainable risk level defined on the basis of the risk-bearing capacity of the member credit institutions or the Savings Banks' Union Coop. The remuneration do not lead to the situations where there might be a conflict of interest with saving bank , Saving's Banks' Union Coop, the management, the representative of the staff or another customer.

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

The Remuneration Committee consists of minimum four mem-bers. The Committee is formed by three members chosen by the Supervisory Board from among its own members plus one member independent of the Savings Banks. The Committee may also use various experts who may be invited to participate in com-mittee meetings. The make-up and work of the Committee have been organised in such a way as to allow the committee to assess independently the incentives and other impacts of the remuneration systems on the risk, capital and liquidity management.

The Savings Banks Amalgamation's Risk Committee issues a statement to the Remuneration Committee concerning the extent to which the Amalgamation remuneration systems consider the risk, capital and li-quidity requirements as well as the likely timing and accumulation of income. The statement is based on on-going risk monitoring and control along with the qualitative assessment of each member organisation's remuneration systems.

The Central Institution's executive management assists the remuneration committee, the Board of Direc-tors and the Audit Committee according to its mandate. The internal audit unit of an Amalgamation member credit institution or company prepares an annual assessment for the Board of Directors of the credit institution or company regarding compliance with the remuneration system. The internal audit of the Cen-tral Institution prepares for its Board of Directors an amalgamation-level assessment of the compliance with the remuneration system based on the company assessments. Essential findings are reported to the Central Institutions' Audit Committee and Remuneration Committee.

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

However, the Savings Banks Group does not apply the provisions of Chapter 8, Sections 9, 11 and 12, of the Act on Credit Institutions to those employees whose variable remuneration for one year does not exceed EUR 50,000. The variable remuneration for one year does not either exceeds 100% of the employee's total fixed remuneration.

Total compensation, which is the basis of remuneration, is divided into fixed and variable compensation. The variable compensation includes both short and long-term remuneration. If the amount of variable compensation exceeds EUR 50,000, it is taken into account that at least half of the compensation must be affected in non-cash form. If a person who, based on his/ her job description, is assigned to a group whose professional duties may cause significant risk to a member credit institution or the company ("person af-fecting risk profile"), is proposed to be paid more than EUR 50,000 annually, the provisions of the Act on Credit Institutions on deferring the payment of variable remuneration are applied. A significant proportion – at least 40% of the defined variable remuneration total – is deferred and paid in 3-5 years, at the earliest. When determining the length of deferral, the person's risk profile and the nature of the business are taken into consideration.

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

Remuneration already paid may be recovered fully or in part if the recipient has been found guilty of abuse or has intentionally jeopardised the company's future business or violated any law.

The salaries, wages and remuneration of the financial year are shown in the note 14 of the financial statements titled "Personnel expenses".

NOTE 5. RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT

General principles and objectives for risk management

The Group is a financial group comprising 23 Savings Banks and their central institution, the Savings Banks' Union Coop, as well as their subsidiaries and associated companies. The Group does not form a financial and insurance conglomerate as defined in the Act on the Supervision of Financial and Insurance Conglomerates.

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

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

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

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

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

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

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

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

Risk management principles and governance

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

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

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

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

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

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

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

- Risk Control
- Compliance
- Internal Audit

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

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

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

Chart: Risk management governance of the Central Institution

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

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

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

Risk strategies and limit structure for each risk area have been established at the Amalgamation and member organization level. The risk strategies are complemented by the operational guidelines of the Board of Directors of the Central Institution. The risk strategies include the identification, measurement and assessment of risks and the description of limits, monitoring and reporting of the risks.

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

Pillar III disclosure principles

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

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

Capital adequacy management

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

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

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

The Board of Directors of the Central Institution has set a threshold for the capital ratio, which is followed up quarterly. The long-term minimum requirement for the CET1 capital is 15%

Stress test

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

Capital contingency plan

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

Pillar 1 – capital requirement

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

Pillar 1 capital requirement (EUR 1,000)	31.12.2017	31.12.2016
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	40	33
Exposures to public sector entities	0	0
Exposures tu multilateral development banks	13	20
Exposures to international organisations	0	0
Exposures to institutions	3,083	4,392
Exposures to corporates	80,237	73,372
Retail exposures	68,030	66,447
Exposures secured by mortgages on immovable property	155,476	138,240
Exposures in default	4,317	4,295
Exposures associated with particularly high risk	646	545
Exposures in the form of covered bonds	412	430
Items representing securitisation positions	0	0
Exposures to institutions and corporates with a short-term credit assesment	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	37,575	33,665
Equity exposures	7,035	7,807
Other items	11,289	10,776
Capital requirements for credit and counterparty credit risk	**368,154**	**340,022**
Capital requirement for credit value adjustment (CVA)	**5,803**	**7,885**
Capital requirement for market risk	**3,190**	**2,812**
Capital requirement for operational risk	**36,108**	**33,716**
Total capital requirement	**413,256**	**384,435**
Own funds in total	**984,565**	**936,567**

Own funds and capital ratio

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 (EUR 936.6 million), of which CET1 capital accounted for EUR 939.1 million (EUR 887.9 million). Savings Banks Amalgamation does not have additional Tier 1 capital. The growth in CET1 capital was due to the profit for the period. Tier 2 (T2) capital accounted for EUR 45.5 million (EUR 48.7 million), which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 5165.7 million (EUR 4805.4 million), 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 capital requirement of Savings Banks Amalgamation was EUR 569.4 million (EUR 504,6 million) that equals to 11.0 % of risk-weighted assets. The capital requirement is formed by:

- Minimum capital requirements set by Capital Requirement Regulation (CRR) that include capital ratio of 8%, TIER 1 ratio of 6% and CET1 ratio of 4.5%,
- 2.5% CET1 capital conservation buffer of according to the Act on Credit Institutions,
- 0.5% CET1 pillar 2 requirement of set by the Financial Supervisory Authority and
- the country-specific countercyclical CET1 capital requirements of foreign exposures.

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.

Domestic macroprudential policy does not currently increase capital requirements of the Savings Banks Amalgamation. The Finnish Financial Supervisory Authority is responsible for domestic macroprudential decision making after hearing the Bank of Finland, Ministry of Finance and Ministry of Social Affairs and Health. Decisions on the activation of macroprudential instruments are taken on a quarterly basis expect for decisions on O-SII buffers and risk weights for loans secured by mortgages on immovable property (CRR Article 124 and 164). Decisions on the activation of these instruments are taken at least once a year. The last update of macroprudential policy was made on December 21st 2017 with the following decisions:

- Countercyclical capital buffer was set to 0 %
- LTV for new housing loans set to 90 % (first time buyers 95 %)
- No further restriction on collateral used for mortgages
- Four institutions were classified as O-SII –credit institutions (Danske Bank Plc, Municipality Finance Plc, Nordea Morgtage Bank Plc and Op Cooperative)
- Application of other currently unused macroprudential instruments was not found necessary.

Additionally FSA has set a lower limit of 15 % for the average mortgage risk weight for banks using internal ratings based models. Savings Banks Amalgamation does not use internal ratings based models.

Credit Institution Act was updated to include a new macroprudential measure, Systemic Risk Buffer (SRB). FSA will evaluate the need to set a SRB based on long-term non-cyclical risks. SRB can be set either at bank level or sector level and be set at 5 % at maximum.

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

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	**0**	**0**
	0	
Tier 1 capital (T1 = CET1 + AT1)	**939,082**	**887,850**
Tier 2 capital before regulatory adjustments	45,483	48,717
Total regulatory adjustments to Tier 2 capital	0	0
Tier 2 (T2) capital in total	**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

Solvency ratio	31.12.2017	31.12.2016
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)	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	
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.

(EUR1,000)	31.12.2017	31.12.2016
Tier 1 capital	939,082	887,850
Leverage ratio exposure	10,639,424	9,801,832
Leverage ratio	8.8 %	9.1 %

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

Resolution plan

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). In May 2017 the Stability Authority decided to set a minimum requirement of own funds and eligible liabilities (MREL) at amalgamation level and this requirement 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.

Banking segment

Credit and counterparty risks

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

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

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

Management of credit risk

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

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

The credit risk strategy is supported by operational level instructions and guidelines issued by the Central Institution's Board of Directors.´ The most important instructions are credit underwriting policy, collateral guidelines, guidelines for the recognition and management of problem customers, guidelines for the impairment and credit loss process and guidelines for collateral price follow up for real estates. The general credit guidelines also covering mortgage credit banking. Each credit institution and other company within the Amalgamation have operational level instructions and guidelines that, are approved by the member credit institution's Board of Directors and are based on Amalgamation-level guidelines.

The objective for the credit risk management is to restrict the effect of the risks arising from the exposure on the profitability and capital adequacy at the acceptable level. The Board of Directors of the Central Institution defines and confirms the risk limits and thresholds used for monitoring and controlling the lending portfolio by customer and industry group at the Amalgamation level. The total amount of limits set on the member credit institution level can't exceed the limit set on the Amalgamation level.

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

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

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

Credit and counterparty risk (EUR 1,000)	31.12.2017			
Exposure group	Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable property	5,729,677	0	0	5,722,593
Retail exposures	1,886,460	391,827	38,015	1,071
Exposures to corporates	1,162,353	43,837	7,716	927
Exposures to institutions	117,296	0	0	0
Exposures to central governments or central banks	1,292,571	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	527,127	0	0	0
Exposures in default	72,273	2,179	180	41
Othe exposure groups in total	328,169	0	213	0
Total	11,115,925	439,882	46,125	5,759,749

Credit and counterparty risk (EUR 1,000)	31.12.2016			
Exposure group	Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable property	5,089,427	0	0	5,080,956
Retail exposures	1,777,016	329,306	38,979	1,185
Exposures to corporates	1,046,517	40,250	9,150	433
Exposures to institutions	173,758	0	0	0
Exposures to central governments or central banks	1,311,593	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	483,476	0	0	0
Exposures in default	68,956	1,355	102	28
Othe exposure groups in total	281,460	0	234	0
Total	10,232,203	370,911	48,465	5,082,602

Lending to private customers

The loan portfolio of the Banking segment was EUR 7,762 million at the end of 2017 (6,944) and increased with EUR 818 million compared to previous year-end. The lending to private customers was 75 % (75), to corporate customers 18 % (17) and to agricultural and others customers 7 % (8).

Breakdown of loans by customer groups (EUR 1,000)			
Customer group	31.12.2017	31.12.2016	change %
Private customers	5,792,227	5,203,344	11.3 %
SME corporate customers	1,404,823	1,193,222	17.7 %
Agricultural and other customers	565,146	547,738	3.2 %
Total	7,762,196	6,944,304	11.8 %

The mortgage lending was EUR 5,035 million at the end of 2017 (4,651) with growth of 8.3 % during the year. A large part of the growth, approximately 3.5%, 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.

The lending to the private customers is mainly granted against residential collateral and, where necessary other collateral types are used.

The lending to the private customers is operated via the balance sheets of the Savings Banks excluding the Visa credit cards operated by Central Bank of Savings Banks.

Loan classification

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

Private customer application and portfolio rating models have been implemented in 10/2016. The credit rating models include 14 rating classes of which one is for defaulted customers. New loans are rated by application models and existing loans by portfolio model, which takes into account the customer's payment behavior. The models will be validated annually. The credit rating models are used for internal reporting purposes, as well as the IFRS 9 impairment calculations from 2018 onwards.

Ratings in loan portfolio for private customers

Credit rating

	31.12.2017	31.12.2016
AAA	8.3 %	12.3 %
AA1	8.4 %	11.5 %
AA2	27.0 %	28.4 %
AA3	11.5 %	11.9 %
AA4	5.5 %	3.5 %
A1	7.2 %	5.2 %
A2	3.2 %	1.2 %
A3	2.7 %	1.7 %
A4	10.5 %	9.5 %
B1	6.8 %	7.4 %
B2	0.2 %	0.2 %
C1	0.2 %	0.3 %
C2	2.9 %	3.6 %
D	5.7 %	3.3 %
Total	**100.0 %**	**100.0 %**

Lending to corporates

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

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

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

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

Corporate lending by rating distribution

Credit rating

	31.12.2017	31.12.2016
AAA	0.1 %	3.5 %
AA1	2.4 %	3.6 %
AA2	14.0 %	20.9 %
AA3	15.6 %	16.6 %
AA4	9.0 %	7.0 %
A1	19.5 %	12.5 %
A2	10.1 %	9.7 %
A3	6.1 %	5.3 %
A4	6.6 %	6.1 %
B1	3.8 %	3.4 %
B2	4.6 %	3.8 %
C1	1.7 %	4.6 %
C2	0.8 %	0.7 %
D	3.9 %	0.9 %
Non-performing/defaulted	1.6 %	1.6 %
Total	**100.0 %**	**100.0 %**

Concentration risks

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

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

The total amount of credit granted by the Amalgamation or an individual member credit institution to a single customer and/or customer group must not exceed the maximum amounts set in the Credit Institutions Act or other acts, or the regulations given by the Financial Supervisory Authority or other regulatory authority. The concentration risks caused by an individual counterparty are restricted with limits and guide-lines related to the maximum customer exposure, both on the Amalgamation and member credit institution level.

The largest counterparties of the Amalgamation are Finnish Government and Aktia Bank plc of which are mainly debt securities and derivatives.

Corporate lending by industry

Industry (EUR 1,000)	31.12.2017	31.12.2016
Basic industries, fisheries and mining	6.4 %	7.1 %
Industry	5.9 %	6.0 %
Energy, water and waste disposal	1.4 %	1.5 %
Construction	8.9 %	9.3 %
Trade	8.3 %	8.0 %
Hotels and restaurants	3.3 %	3.3 %
Transport	3.9 %	4.2 %
Financing	1.3 %	1.8 %
Property	48.9 %	44.3 %
Research, consulting and other business service	6.2 %	7.1 %
Other services	5.4 %	7.5 %
Total	**100.0 %**	**100.0 %**

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

Non-performing loans and payment delays

The non-performing loans and payment delays are followed regularly at the level of member credit institu-tions and at the level of the Amalgamation. The non-performing loans of the Amalgamation levelled with the previous year and were approx. 1,2 % (0.95) of the loan portfolio. The non-performing loans for the private customers were 0.85% (0.74) of the total lending. Payment delays (30 - 90 days) were EUR 43.9 million (61.1). In certain circumstances if the customer would otherwise face financial difficul-ties in the future the customer may be granted a change in the terms and conditions of the loan, for exam-ple interest-only period or restructuring the loan. The reason for these arrangements is to ensure the cus-tomers' ability to pay and avoid possible credit losses. The prerequisite for granting any forbearance measures to the loans is that the customers' financial difficulties are estimated to be short-termed and temporary. The Amalgamations forbearance in total was EUR 29.3 million (56.4).

Payment delays and non-performing loans (EUR 1,000)	31.12.2017	Share (%)	31.12.2016	Share (%)
Payment delays (30 - 90 days)	43,867	0.57 %	61,129	0.88 %
Unlikely to pay that are not past-due or past-due <90 days	26,857	0.35 %	7,797	0.11 %
Non-performing loans 90-180 days	12,069	0.16 %	13,741	0.20 %
Non-performing loans 180 days - 1 year	13,612	0.18 %	14,594	0.21 %
Non-performing loans > 1 year	40,757	0.53 %	37,321	0.54 %
Forberance in total	29,293	0.38 %	56,362	0.81 %

Impairments on loans and other receivables

The impairment losses of loans and other receivables are recognized on an individual and collective basis. Impairment losses are assessed individually if the debtor's total exposure is significant. Otherwise, impairments are assessed collectively.

Impairment losses on loans and other receivables are recognized when objective evidence has emerged that the capital or interest of the loan or receivable will not be received, and the corresponding collateral is not sufficient to cover the amount. Evaluation of objective evidence is based on evaluation of the client's inability to pay and sufficiency of collateral. When rec-ognizing impairment, the collateral is measured at the amount it is likely to yield on realization. Impairment loss is determined by the difference between the book value of the receivable and the present value of the estimated recoverable future cash flows, taking into account the fair value of the collateral. Esti-mated future cash flows are discounted using the receiva-ble's original effective interest rate.

When calculating impairment of receivables on a collective ba-sis, loans and other receivables are classified into groups, after which the need for impairment losses is assessed collectively. The classification of receivables into groups is based on sim-ilar credit risk characteristics in order to assess the need for group-specific impairment losses on assets for which grounds for impairment have not yet been identified on an individual receivable basis.

Impairment losses on loans and receivables are recognized in the deduction account and offset against loans and receivables. In the income statement, impairment losses are recognised in the item impairment losses on loans and other receivables. If it later appears that the impairment is not permanent, it is reversed.

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

Impairment losses on loans and receivables increased during 2016 and were EUR 39.7 million at the end of the year (31.1). Individual impairments were in total EUR 28.6 million (24.9) and collective impairments were in total EUR 11.1 million (6.3) Collective impairments for private customers were EUR 5.0 million (1.7) and collective impairments for SME EUR 4.5 million (3.3) and forestry and agricultural customers were EUR 0.8 million (0.8).

Increases, reversals and final write-offs regarding impairments on loans and other receivables are shown in the notes to the financial statements number 21.

Market risk

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

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

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

Investment and liquidity portfolios

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

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

Investment portfolio*	31.12.2017		31.12.2016	
(EUR 1,000)	Fair value	Share (%)	Fair value	Share (%)
Debt securities	657,193	49.5 %	728,452	53.8 %
Other securities	13,030	1.0 %	23,223	1.7 %
Shares	50,198	3.8 %	59,497	2.4 %
Share funds	81,113	6.1 %	87,543	6.5 %
Mixed funds	22,542	1.7 %	20,842	1.5 %
Interest funds	405,214	30.5 %	358,808	26.5 %
Hedge funds	191	0.0 %	301	0.0 %
Structured investments	10,776	0.8 %	14,819	1.1 %
Other investments	23,452	1.8 %	20,333	1.5 %
Properties	64,557	4.9 %	68,410	5.0 %
Total	**1,328,266**	**100 %**	**1,355,088**	**100 %**

* Fair value of properties has been corrected in terms of Investment portfolio.

Equity risk arises primarily from the liquidity and investment portfolios of member credit institutions. At the Amalgamation level, approximately 7% (11) of the equity portfolio consists of equity holdings necessary for operations. Other equity holdings consists mainly of shares that are not publicly listed.

Equity portfolio (EUR 1,000)	31.12.2017	31.12.2016
Listed shares	15,640	25,951
Unlisted shares	34,559	33,546
Total	**50,199**	**59,497**

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

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

Market risk management

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

Interest rate risk in the banking book

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

Interest rate risk refers to the adverse effect of interest rate changes on the market value (present value risk) or on the net interest income (income risk) of the balance sheet and off-balance sheet items. Interest rate risk may be further divided into the following risk types:

- yield curve risk, which arises as a result of the impact of changes in the interest rate curve on the present value of the future cash flows of assets and liabilities
- re-pricing risk, which arises from the difference between maturities for fixed rate assets and liabilities and from the timing mismatch between re-pricing for floating rate assets and liabilities
- basis risk, arising from the different interest rate bases of assets and liabilities
- optionality risk, arising from stand-alone and embedded options in which the decision to exercise may depend on interest rates. These include call and put options embedded in bonds which entitle to an early redemption of a loan or an early withdrawal without compensation.

The purpose of the management of interest rate risks is to stabilize the net interest income and present value at a level where the Amalgamation's business is profitable and to limit their fluctuations so the capital adequacy is not threatened even by severe changes in the interest rate environment. The Amalgamation's appetite for interest rate risk is described by the interest rate limits set by the Board of Directors of the Central Institution.

Interest rate risk can be managed by modifying the product and balance sheet structure, by planning the interest rate structure and maturities for investments and issued funding and by hedging interest rate derivatives.

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

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

The table below shows the net interest income's sensitivity to a 1 percentage point's parallel shift in the interest rate curve.

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

(EUR 1,000)	Change in net interest income			
	31.12.2017		31.12.2016	
Period	Down	Up	Down	Up
Change in the coming 12 months	-2,307	18,455	-1,171	14,361
Change in 12-24 months	-2,577	44,821	-1,894	26,254

Liquidity risk

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

On 31 December 2017the Amalgamation had 1,284 (1,294) million euros (before haircuts) of LCR eligible liquid assets of which 82 % (79) were notes and coins and reserves held in the Bank of Finland, 14 % (17) were level 1 assets issued by governments and multinational organizations and 4 % (4) were other assets. The Amalgamation's LCR was 133 % (224) on 31 December 2017. The fall in LCR year over year was due to an increase in outflows caused by a 450 million euro bond issued by the Central Bank of Savings Banks maturing in January 2018.

Assets 2017 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Cash and central bank reserves	1,118,938	1,118,938	0	0	0
Central bank eligible debt securities	297,731	2,514	5,346	152,221	137,650
Receivables from financial institutions	32,961	32,610	351	0	0
Receivables from customers and public entities	7,754,952	470,814	625,363	2,370,374	4,288,401
Other debt securities	377,153	16,851	44,288	270,685	45,329
Equity and shares	581,638	0	0	0	581,638
Assets total	**10,163,373**	**1 641 727**	**675,348**	**2,793,280**	**5,053,018**

Liabilities 2017 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Due to credit institutions and central banks	228,458	98,804	26,975	84,970	17,709
Amounts owed to customers and public entities	6,427,078	5,776,724	557,710	90,359	2,285
Debt securities in issue	2,563,128	562,460	177,905	1,822,763	0
Subordinated liabilities	100,200	600	17,400	80,142	2,058
Financial liabilities total	**9 318,864**	**6,438,588**	**779,990**	**2,078,234**	**22,052**

Derivatives, net cash flows	56,771	5,448	16,759	28,884	5,679

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

Assets 2016 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Cash and central bank reserves	1,100,784	1,100,784	0	0	0
Central bank eligible debt securities	336,326	6,915	48,984	142,300	138,127
Receivables from financial institutions	20,855	16,832	2,523	1,500	0
Receivables from customers and public entities	6,944,304	392,191	530,491	2,254,335	3,767,287
Other debt securities	420,152	14,459	48,139	304,189	53,365
Equity and shares	546,666	0	0	0	546,666
Assets total	**9,369,087**	**1,531,181**	**630,137**	**2,702,324**	**4,505,445**

Liabilities 2016 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Due to credit institutions and central banks	227,050	111,128	85,631	23,390	6,900
Amounts owed to customers and public entities	6,131,143	5,150,919	775,641	200,571	4,012
Debt securities in issue	2,049,589	92,210	329,657	1,627,722	0
Subordinated liabilities	121,651	600	31,642	87,068	2,341
Financial liabilities total	**8,529,432**	**5,354,857**	**1,222,571**	**1,938 751**	**13,253**

Derivatives, net cash flows	79,995	5 377	15,157	47,686	11,775

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

Liquidity risk management

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

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

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

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

The key tools in monitoring liquidity risk at the Amalgamation level are cash position, liquidity reserve and LCR. The Financial Supervisory Authority has granted permission to the Central Institution of the Amalgam-ation to waive fully the application of the requirements regarding liquidity set out in part six of Regulation (EU) No 575/2013 and its amending and supplementing acts to the Amalgamation's member credit institutions.

Structural liquidity risk

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

Real estate risk

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

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

Operational risk

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

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

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

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

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

Legal risks

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

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

Business risk

Business risk describes the impact of uncertainties caused by the operating environment on Group's business. Business risks arise from competition, from changes in markets and customer behavior as well as from unexpected income fluctuations. Business risks may also be caused by choosing a wrong strategy, ineffective management or slow response to changes in the operating environment.

Business risks are managed and minimized through the strategic and business planning at the Group and Amalgamation level.

Asset Management and Life insurance

Asset Management

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

Fund capital managed by Sp-Fund Management Company totalled EUR 2,354.7 million (EUR 1,867.9million). The total number of investment funds managed at the end of 2016 was 22 (19).

Life insurance

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

Profitability of life insurance

(EUR 1,000)	31.12.2017			31.12.2016
	Risk premiums	Claims incurred	Claims ratio	Claims ratio
Risk insurance	2,335	1,229	52.6 %	57.6 %
Savings and pension insurance	18,307	17,830	97.4 %	95.9 %
Total	**20,642**	**19,059**	**92.3 %**	**91.3 %**

Insurance risk

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

The sum insured exceeding certain level will be reinsured and the existence of the reinsurance cover is dependent on continuous compliance with the existing instructions. The Board of Directors confirms the principles of reinsurance and the excess annually. In the same context, the credit risk related to the reinsurer is assessed. The equalization reserve was set to equal to zero, as it is removed from the relevant legislation.

Interest rate risk

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

Expense risk

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

Sensitivity analysis of technical provisions

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

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

The majority of the savings insurance base is unit-linked, but all insurance contracts include an option to transfer the savings between the unit-linked and the guaranteed interest savings part. In recent years, this option has been used so that net savings have been transferred from the guaranteed interest savings part to the unit-linked part. In 2016, the net transfers from the guaranteed interest savings part to the unit-linked part totaled EUR 7.4 million. Savings insurance policies include a surrender option, which has been restricted by terms and conditions during the first three years of the contracts. In addition, any surrender is restricted by tax legislation with regard to pension insurance. The majority of endowment insurance policies end with surrender, and it has been taken into account in the lifecycle of the contract. The third uncertainty factor related to savings insurance policies is the right of the policyholder to change the payment plan of the insurance. Changes to the payment plan have not been restricted in the terms and conditions.

The guaranteed interest savings insurance policies have been discounted using a contract-specific interest rate, which is not a market rate. The contract-specific interest rate varies between 0% and 0.5%. In 2017, it was an average of 0.012 %. EUR 9.0 million has been reserved for future discretionary bonuses included in technical provisions, which is estimated to cover two-thirds of the future discretionary bonuses during the next twelve years.

Risks of investment operations

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

Distribution of investment assets

Type of investment (EUR 1,000)	31.12.2017	31.12.2016
Bonds		
Bonds	3,452	8,435
Fixed-income funds	131,558	146,321
Shares, Developed markets		
Shares	12,884	10,355
Equity funds	27,042	18,317
Structured investments	1,797	1,537
Hedge funds	15	112
Real estate		0
Real estate	0	0
Real estate funds	6,667	4,964
Bank receivables in investments	5,146	7,869
Derivatives	0	0
Total	**188,561**	**197,910**

Interest rate risk

Bond and fixed income fund investments according to modified duration

Modified duration (EUR 1,000)	31.12.2017	Share	31.12.2016	Share
0 - 1	4,028	3 %	16,177	10 %
1 - 3	19,861	15 %	23,613	15 %
3 - 5	31,508	23 %	27,065	17 %
5 - 7	29,022	21 %	29,737	19 %
7 - 10	26,918	20 %	34,732	22 %
10 -	23,673	18 %	23,432	15 %
Total	**135,010**	**100 %**	**154,756**	**100 %**

Counterparty risk

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

Credit rating	Maturity						31.12.2017		31.12.2016	
	0 - 1	1 - 3	3 - 5	5 - 7	7 - 10	10 -	Total	Share	Total	Share
AAA	46	1088	1,058	1970	2186	2573	8,921	7 %	15,404	10 %
AA	36	978	1079	1,864	2,052	2,408	8,415	6 %	10,827	7 %
A	1383	5,828	7,778	5,678	4,433	4773	29,873	22 %	19,315	12 %
BBB	1,741	8,221	12,221	11,160	12,800	9,849	55,992	41 %	48,625	31 %
< BBB	782	3,447	8,891	7,732	4,807	3,353	29,013	21 %	42,142	27 %
Unclassified	1,837	300	480	618	641	717	4,593	3 %	19,977	13 %
Total	**5,825**	**19,861**	**31,508**	**29,022**	**26,918**	**23,673**	**136,807**	**100 %**	**156,290**	**100 %**

Currency risk

Investments by currency

Currency (EUR 1,000)	31.12.2017	Share	31.12.2016	Share
EUR	167,623	89 %	190,780	96 %
USD	6,763	4 %	3,141	2 %
GBP	1,807	1 %	2094	1 %
Others	12,367	7 %	1,894	1 %
Total	**188,561**	**100 %**	**197,909**	**100 %**

On 31 December 2016, fund investments in euro-hedged funds were classified to be euro-denominated. The currencies in other funds are based on the quotation currencies of the securities included in the fund.

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

Sensitivity analysis

(EUR 1,000)		Change in capital requirement	
Risk factor	Change	31.12.2017	31.12.2016
Interest	+ 1 %-point	-7,358	-9,025
	- 1 %-point	7,358	9,025
Share	-10 %	-3,993	-2,867
Real estate	-10 %	-667	-496
Currency	Others/Euro -10 %	-2,094	-713
Structured loans	-10 %	-180	-154

PROFIT FOR THE FINANCIAL YEAR

NOTE 6: 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
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 7: 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 8: 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 (1,714).

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

NOTE 9: NET TRADING INCOME

(EUR 1,000)	1-12/2017	1-12/2016
Financial assets and liabilities held for trading		
Capiatl gains and losses	-	11
Fair value gains and losses*	182	136
Dividend income	-	1
Net income from foreign exchange operations	-78	-193
Net income from hedge accounting		
Change in hedging instruments' fair value	-18,471	2,047
Change in hedged items' fair value	21,522	-2,057
Net trading income	**3,156**	**-56**

* Including EUR -10 thousand (-172) of the ineffective part of cash flow hedges.

NOTE 10: 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 11: 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**

Premiums written (EUR 1,000)	1–12/2017	1–12/2016
Premiums written from insurance contracts		
Premiums written from risk insurance contracts		
Risk insurance	8,040	7,895
Total	8,040	7,895
Premiums written from insurance contracts with entitlement to discretionary portion of surplus		
Savings insurance	3,033	9,255
Voluntary pension insurance	458	594
Voluntary group pension insurance	58	32
Total	3,548	9,881
Premiums written from unit-linked insurance contracts		
Savings insurance	81,588	73,600
Voluntary pension insurance	4,825	5,706
Voluntary group pension insurance	357	452
Capitalization agreement	15,808	8,995
Total	102,578	88,753
Total	**114,167**	**106,528**
Premiums written from investment contract		
Premiums written from unit-linked investment contracts	55,516	31,447
Total	**55,516**	**31,447**
Total premiums written	**169,683**	**137,975**

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

Net investment income (EUR 1,000)	1-12/2017	1-12/2016
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**

Benefits paid (EUR 1,000)	1-12/2017	1-12/2016
Benefits paid from insurance contracts		
Benefits paid from insurance contracts	-1,429	-828
Benefits paid from insurance contracts entitling to discretionary portion of surplus		
Savings insurance		
Maturities	-639	-294
Death benefits	-6,366	-6,845
Surrenders	-5,060	-3,679
Total	-12,065	-10,817
Personal pension insurance		
Annuities	-599	-458
Death benefits	-12	-26
Surrenders	-38	-46
Total	-649	-531
Group pension insurance		
Annuities	-31	-29
Surrenders	0	0
Total	-31	-29
Capital redemption contracts		
Maturities	-156	-382
Surrenders	-1,388	-1,486
Total	-1,544	-1,868

Benefits paid (EUR 1,000)	1-12/2017	1-12/2016
Benefits paid from unit-linked insurance contracts		
Savings insurance		
Maturities	-553	-503
Death benefits	-9,414	-7,816
Surrenders	-17,144	-10,697
Total	-27,111	-19,016
Voluntary pension insurance		
Annuities	-819	-513
Death benefits	-72	-80
Surrenders	-627	-514
Total	-1,519	-1,106
Voluntary group pension insurance		
Annuities	-32	-21
Surrenders	-13	-7
Total	-45	-28
Total benefits paid from insurance contracts	**-44,391**	**-34,223**
Benefits paid from investment contracts		
Death benefits	-1,967	-1,347
Surrenders	-4,069	-3,241
Total	-6,035	-4,588
Total benefits paid from investment contract	**-6,035**	**-4,588**
Total direct insurance	**-50,426**	**-38,812**
Total benefits paid	**-50,426**	**-38,812**

Change in insurance contract liabilities

Change in liabilities for insurance policies 2017 (EUR 1,000)	Provsion 1 Jan 2017	Premi-ums	Claims, part of deposit	Claims, part of risk	Interest and changes in fair value	Other charges and credits	Other items	Provision 31 Dec 2017
Other than unit-linked contract liabilities								
Insurance liability discounted with interest rate guarantee	126,570	3,538	-12,758	-34	1,992	-881	-7,525	110,902
Bonus reserves	9,912						-875	9,037
Reserve for decreased discount rate	4,131						-161	3,970
Reserve for increased operating costs	5,038						-877	4,161
Risk insurance liability	923	8,040	-2	-1,426	2	-8,229	1,386	694
Unit-linked contract liabilities								
Liabilities for unit-linked insurance contracts	425,835	90,128	-29,498		25,106	-4 157	7,864	515,279
Liabilities for unit-linked investment contracts	89,541	67,976	-6,707		7,015	-1 321	1	156,505
Reserve arising from liability adequacy test								
Total	**661,951**	**169,683**	**-48,966**	**-1,460**	**34,115**	**-14,588**	**-285**	**800,548**

Change in liabilities for insurance policies 2016 (EUR 1,000)	Provsion 1 Jan 2016	Premi-ums	Claims, part of deposit	Claims, part of risk	Interest and changes in fair value	Other charges and credits	Other items	Provision 31 Dec 2016
Other than unit-linked contract liabilities								
Insurance liability discounted with interest rate guarantee	133,324	9,881	-11,649	-51	1,720	-1,112	-5,543	126,570
Bonus reserves	8,000						1,912	9,912
Reserve for decreased discount rate	1,105						3,025	4,131
Reserve for increased operating costs	4,157						881	5,038
Risk insurance liability	457	7,895	-2	-826	3	-7,883	1,279	923
Unit-linked contract liabilities								
Liabilities for unit-linked insurance contracts	342,381	82,758	-20,991		20,458	-4,049	5,278	425,835
Liabilities for unit-linked investment contracts	53,408	37,441	-5,293		4,352	-772	405	89,541
Reserve arising from liability adequacy test								
Total	**542,831**	**137,975**	**-37,934**	**-877**	**26,533**	**-13,816**	**7,239**	**661,951**

NOTE 12: INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS

(EUR 1,000)	1-12/2017	1-12/2016
Interest income on		
Unimpaired held-to-maturity investments	867	984
Loans and receivables	137,931	134,924
Available-for-sale financial assets	17,797	19,641
Total interest income arising from financial assets not measured at fair value through profit or loss	**156,595**	**155,549**
Available-for-sale financial assets		
Dividend income	5 156	2,644
Reclassified from OCI	35,270	15,384
Financial assets at fair value through profit or loss - net change in fair value		
Held-for-trading	740	1,688
Cash flow hedges - reclassified from OCI	67	-172
Finance income	**197,828**	**175,092**
Financial liabilities measured at amortised cost - interest expense	-36,812	-45,731
Available-for-sale financial assets - impairment loss	-305	-522
Loan receivables - impairment loss	-13,266	-8,411
Financial assets at fair value through profit or loss - net change in fair value		
Held-for-trading	-548	-1,380
Finance expenses	**-50,931**	**-56,044**
Net income and expenses from financial instruments	**146,897**	**119,048**

NOTE 13: 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 14: PERSONNEL EXPENSES

(EUR 1,000)	1-12/2017	1-12/2016
Wages and salaries	-64,053	-60,598
Pension expenses		
Defined contribution plans	-12,365	-11,688
Defined benefit plans	-1,282	-998
Other personnel related costs	-2,080	-2,833
Personnel expenses	**-79,781**	**-76,117**
Full-time	1,120	1,083
Part-time	75	54
Temporary	148	133
Total	**1,343**	**1,270**
Number of employees converted to FTEs	1,316	1,242
Average number of FTEs during the financial year	1,330	1,250

Remuneration

Pilar III information on remuneration is presented in the table below. The Remuneration policy is described in more detail in Note 4 Corporate governance policies.

2017 Salaries and remuneration (EUR 1,000)	Fixed salaries	Variable renumeration
Top management	4,041	376
Risk takers	8,911	648
Others	46,422	4,119

2016 Salaries and remuneration (EUR 1,000)	Fixed salaries	Variable renumeration
Top management	5,078	746
Risk takers	8,948	586
Others	41,964	3,274

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

Total salaries and remuneration by business segments.

2017 (EUR 1,000)	Banking	Asset management and Life insurance	Other	Total 2017	Total 2016
Fixed salaries	46,887	4,930	7,093	58,910	55,991
Variable remuneration	4,026	623	494	5,143	4,607
Number of emplyees	1,077	79	176	1,332	1,270

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

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

During the financial year a total of EUR 349 thousand (272) of redundance payments have been paid to 10 persons (10).

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

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

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

NOTE 15: OTHER OPERATING EXPENSES

(EUR 1,000)	1-12/2017	1-12/2016
Other administrative expenses		
Other personnel expenses	-7 119	-6,442
Office expenses	-8,098	-7,151
ICT expenses	-32,057	-28,967
Telecommunications	-4,432	-4,380
Representation expenses	-586	-548
Marketing	-8,990	-8,683
Payment card expenses	-7,583	-6,786
Total	**-68,864**	**-62,958**
Other operating expenses		
Rental expenses	-3,919	-4,011
Expenses arising from owner-occupied property	-6,391	-6,192
Other operating expenses**	-9,739	-8,783
Total	**-20,049**	**-18,986**
Other operating expenses	**-88,913**	**-81,944**
****Audit fees**		
Statutory audit	-401	-400
Audit related services	-34	-41
Tax advisory	-11	-13
Other services	-102	-34
Total	**-548**	**-488**

Other services provided by KPMG for the companies within the Savings Banks Group were 117 thousand euros for the year 2017.

NOTE 16: DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(EUR 1000)	1-12/2017	1-12/2016
Depreciation and amortisation of property, plant and equipment	-7,078	-5,635
Depreciation and amortisation of intangible assets	-4,927	-4,978
Total depreciation and amortisation	**-12,005**	**-10,613**
Impairment of property, plant and equipment	-1,994	-119
Total impairment	**-1,994**	**-119**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	**-13,999**	**-10,732**

NOTE 17: INCOME TAXES

(EUR 1,000)	1-12/2017	1-12/2016
Current tax	-19,422	-15,651
Tax for prior years	-17	105
Change in deferred tax assets	1,926	624
Change in deferred tax liabilities	1,236	2,593
Income taxes	**-16,277**	**-12,329**
Other direct taxes	-39	-77
Total income taxes	**-16,316**	**-12,406**

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

Reconciliation of effective tax rate		
Accounting profit before tax	88,210	69,603
Differences between accounting and taxable profit	-6,701	-7,048
Taxable profit	**81,509**	**62,555**
Tax using the domestic corporation tax rate	-17,639	-13,921
Tax-exempt income	120	935
Non-deductible expenses	170	-73
Unrecognised deductible expenses	735	277
Unrecognised taxable income		-16
Use of approved tax losses for prior years	361	313
Recognition of previously unrecognised tax losses	-46	-27
Tax for prior years	-17	105
Tax expense	**-16,316**	**-12,406**
Corporate income tax rate	**20%**	**20%**

More information on deferred taxes is presented in note 28.

ASSETS

NOTE 18: 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 19: CASH AND CASH EQUIVALENTS

(EUR 1,000)	31.12.2017	31.12.2016
Cash	16,684	17,829
Receivables from central banks repayable on demand	1,102,254	1,082,955
Cash and cash equivalents	**1,118,938**	**1,100,784**

NOTE 20: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR 1,000)	31.12.2017	31.12.2016
Designated as at fair value through profit or loss on initial recognition		
Debt securities		
Debt securities from public entities	552	438
Debt securities from others	8,772	9,022
Shares and participations*	25,369	108,595
Total	**34,694**	**118,055**
Financial assets at fair value through profit or loss	**34,694**	**118,055**

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

NOTE 21: 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 22: 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 23: 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 24: 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**

NOTE 25: INVESTMENTS IN ASSOCIATES

Information on the material associates of the Group:

Name	Domicile	Sector	Ownership (%)	Share of votes (%)	Ownership (%)	Share of votes (%)
			31.12.2017	31.12.2017	31.12.2016	31.12.2016
Oy Samlink Ab	Espoo	Software design and manufacturing	42,00	44,70	42,00	44,70

The purpose of Samlink Group is to provide the Savings Banks Group with the information system and support services needed in the Group companies' business. Samlink Group produces e.g. banking information system services, financial services, office infrastructure services and technical support services to the Savings Banks Group.

Summarised financial information about material associates based on the companies' own financial statements:	Oy Samlink Ab	Oy Samlink Ab
(EUR 1,000)	2017	2016
Total assets	36,784	32,208
Total liabilities	14,340	11,831
Revenue	90,498	99,436
Total operating revenue	90,618	99,477
Profit or loss	4,707	4,552
Other comprehensive income		
Total comprehensive income	4,707	4,552
Dividends received from the associate during the period	1,110	1,374

Reconciliation of the summarised financial information of the associate to the carrying amount in the Group's statement of financial position:		
Net assets of the associate	22,444	20,378
Group ownership	42.00 %	42.00%
Adjustments	1,474	1,473
Carrying amount of the associate in the Group's statement of financial position	**7,952**	**7,086**

Joint arrangements

The Savings Banks Group has no material joint arrangements.

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

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

Name	Domicile	Ownership	Ownership
		2017	2016
Kiinteistö Oy Ikaalisten Säästökeskus	Ikaalinen	90.80 %	90.80 %
Asunto Oy Salamankulma	Turku	37.01 %	37.01 %
Kiinteistö Oy Liedon Liikekeskus	Lieto	85.70 %	85.70 %
Kt Oy Lohjan Pankkitalo	Lohja	100.00 %	100.00 %
Koy Iisalmen Pohjolankatu 6	Iisalmi	100.00 %	100.00 %

NOTE 26: PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	31.12.2017	31.12.2016
Owner-occupied property		
Land and water	1 004	1 073
Buildings	43 963	46 824
Machinery and equipment	4 923	4 934
Other tangible assets	849	872
Advance payments and construction in progress	602	3 007
Property, plant and equipment	**51 341**	**56 711**

31.12.2017					
Changes in property, plant and equipment (EUR 1,000)	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 January	81,034	35,772	1,769	3,007	121,583
Increases	967	2,119	31	602	3,719
Decreases	-1,736	-1,322		-3,007	-6,066
Transfers between items	978	456			1,434
Revaluation	1,765				1,765
Acquisition cost 31 December	**83,007**	**37,025**	**1,800**	**602**	**122,434**
Accumulated depreciation and impairments 1 January	-33,137	-30,838	-897		-64,872
Depreciation for the financial year	-4,607	-1,727	-50		-6,384
Impairments for the financial year	-2	9			7
Decreases	-295	454	-4		155
Accumulated depreciation and impairments 31 December	**-38,040**	**-32,102**	**-951**		**-71,093**
Carrying amount 31 December	**44,967**	**4,923**	**849**	**602**	**51,341**

31.12.2016					
Changes in property, plant and equipment (EUR 1,000)	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 January	78,476	34,407	1,706	7	114,595
Increases	2,884	1,784	70	3,001	7,739
Decreases	-403	-335	-6		-744
Transfers between items	77	-85			-8
Revaluation					
Acquisition cost 31 December	**81,034**	**35,772**	**1,769**	**3,007**	**121,583**
Accumulated depreciation and impairments 1 January	-30,311	-29,399	-856		-60,566
Depreciation for the financial year	-2,823	-1,814	-47		-4,685
Impairments for the financial year	-3				-3
Decreases		375	6		381
Accumulated depreciation and impairments 31 December	**-33,137**	**-30,838**	**-897**		**-64,872**
Carrying amount 31 December	**47,897**	**4,934**	**872**	**3,007**	**56,711**

NOTE 27: INTANGIBLE ASSETS

(EUR 1,000)	31.12.2017	31.12.2016
Intangible rights	9,198	9,799
Other intangible assets	3,412	2,651
Intangible assets under development	16,114	9,687
Intangible assets	**28,725**	**22,137**

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

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

31.12.2017				
Changes in intangible assets (EUR 1,000)	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	26,159	18,674	9,687	54,519
Increases	47	2,281	12,041	14,369
Decreases	-397	-107	-2	-507
Transfers between items	5,466	139	-5,611	-6
Acquisition cost 31 December	**31,275**	**20,987**	**16,114**	**68,376**
Accumulated depreciation and impairments 1 January	-16,360	-16,022		-26,604
Depreciation for the financial year	-5,794	-1,652		-7,445
Decreases	77	100		177
Accumulated depreciation and impairments 31 December	**-22,077**	**-17,574**		**-39,651**
Carrying amount 31 December	**9,198**	**3,412**	**16,114**	**28,725**

31.12.2016				
Changes in intangible assets (EUR 1,000)	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	23,551	16,942	5,240	45,733
Increases	190	1,721	6,900	8,812
Decreases	-15		-55	-70
Transfers between items	2,433	11	-2,399	45
Acquisition cost 31 December	**26,159**	**18,674**	**9,687**	**54,519**
Accumulated depreciation and impairments 1 January	-12,306	-14,298		-26,604
Depreciation for the financial year	-4,051	-1,783		-5,834
Decreases	-3	58		55
Accumulated depreciation and impairments 31 December	**-16,360**	**-16,022**		**-32,382**
Carrying amount 31 December	**9,799**	**2,651**	**9,687**	**22,137**

NOTE 28: DEFERRED TAXES

(EUR 1,000)	31.12.2017	31.12.2016
Deferred tax assets	2,260	3,385
Income tax receivables	748	592
Tax assets	**3,009**	**3 977**
Deferred tax liabilities	57,270	62,699
Income tax liability	5,637	3,705
Tax liability	**62,907**	**66,403**

(EUR 1,000)	31.12.2017	31.12.2016
Deferred tax assets		
Impairments	2,135	1,253
Financial assets	1,919	2,196
Property, plant and equipment	1,748	874
Defined benefit pension plans	648	290
Approved tax losses	1,338	1,897
Other	772	613
Netting of deferred taxes	-6,300	-3 739
Total	**2,260**	**3,385**

The unused tax losses of the Savings Banks Group amount to approx. EUR 8 million, for which no deferred tax assets have been recognised. The losses expire in 2019-2027.

(EUR 1,000)	31.12.2017	31.12.2016
Deferred tax liabilities		
Appropriations	47,530	48,257
Impairment	53	
Financial assets	13,071	14,326
Cash flow hedges	717	976
Intangible assets	716	1,429
Equalisation provision of insurance business	1,478	1,444
Other	5	5
Netting of deferred taxes	-6,300	-3,739
Total	**57,270**	**62,699**

2017 (EUR 1,000)	1.1.2017	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2017
Deferred tax assets								
Impairment	1,253	882						2,135
Financial assets	2,196		-277					1,919
Property, plant and equipment	874	873						1,748
Defined benefit pension plans	290	84			274			648
Approved tax losses	1,897	-559						1,338
Other	613	159						772
Netting of deffered taxes	-3,739						-2,560	-6,300
Total	**3,385**	**1,439**	**-277**	**0**	**274**	**0**	**-2,560**	**2,260**

2017 (EUR 1,000)	1.1.2017	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2016
Deferred tax liabilities								
Appropriations	48,257							47,530
Impairments		-728						53
Financial assets	14,326	53	-900					13,071
Cash flow hedges	976	-355		-260				717
Intangible assets	1,429							716
Property, plant and equipment	1,444	-713						1,478
Other	5						-2,560	5
Netting of deffered taxes	-3,739		-900	-260			-2 560	-6,300
Total	**62,699**	**-1,709**	**-900**	**-260**	**0**	**0**	**-2,560**	**57,270**

2016 (EUR 1,000)	1.1.2016	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2016
Deferred tax assets								
Impairment	1,133	120						1,253
Financial assets	3,944		-1,748					2,196
Cash flow hedges								
Property, plant and equipment	737	138						874
Defined benefit pension plans	207	35			49			290
Approved tax losses	1,378	519						1,897
Other	460	153						613
Netting of deffered taxes	-6,784						3,045	-3,739
Total	**1,075**	**964**	**-1 748**	**0**	**49**	**0**	**3,045**	**3,385**

2016 (EUR 1,000)	1.1.2016	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2016
Deferred tax liabilities								
Appropriations	48,669	-412						48,257
Financial assets	12,309	-602	2,619					14,326
Cash flow hedges	913			64				976
Intangible assets	2,056	-627						1,429
Property, plant and equipment	2,095	-651						1,444
Other	-21	39					-12	5
Netting of deffered taxes	-6,784						3,045	-3,739
Total	**59,236**	**-2,253**	**2,619**	**64**	**0**	**0**	**3,033**	**62,699**

NOTE 29: OTHER ASSETS

(EUR 1,000)	31.12.2017	31.12.2016
Payment transfer receivables	433	374
Accrued income and prepaid expenses		
Interest	33,364	33,568
Other accrued income and prepaid expenses	14,212	21,478
Other	77,547	8,699
Other assets	**125,555**	**64,162**

LIABILITIES AND EQUITY

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

(EUR 1,000)	31.12.2017	31.12.2016
Other financial liabilities at fair value through profit or loss*	25,369	108,595
Financial liabilities at fair value through profit or loss	**25,369**	**108,595**

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

NOTE 31: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31.12.2017	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 32: 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 33: 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 for insurance policies (EUR 1,000)	Liability 2017	Number of contracts 2017	Duration 2017
Other than unit-linked contracts			
Guaranteed-interest insurance contracts			
Savings insurance			
Rate of guaranteed interest 3.5 %	2,718	40	10
Rate of guaranteed interest 2.5 %	16,260	407	9.4
Rate of guaranteed interest 0.0 %	91,124	2,396	8.7
Individual pension insurance			
Rate of guaranteed interest 3.5 %	1,847	113	6.5
Rate of guaranteed interest 2.5 %	6,419	666	9.4
Rate of guaranteed interest 0.0 %	7,831	490	17.7
Group pension insurance (defined contribution, rate of guaranteed interest 0.0 %)	1,870	106	5.3
Capital redemption contracts (rate of guaranteed interest 0.0 %)		0	
Term insurance	694	29,537	4.2
Unit-linked contracts			
Unit-linked insurance contracts			
Savings insurance	413,432	15,512	12.7
Individual pension insurance	87,045	10,624	18.8
Group pension insurance	2,689	107	14.6
Capital redemption contracts	12,099	81	16
Unit-linked investment contracts	156,519	1,039	14
Reserve arising from liability adequacy test			
Total	**800,548**	**61,118**	

Liabilities for insurance policies (EUR 1,000)	Liability 2016	Number of contracts 2016	Duration 2016
Other than unit-linked contracts			
Guaranteed-interest insurance contracts			
Savings insurance			
Rate of guaranteed interest 3.5 %	2,592	42	9.8
Rate of guaranteed interest 2.5 %	16,943	438	9.4
Rate of guaranteed interest 0.0 %	107,105	2,915	8.6
Individual pension insurance			
Rate of guaranteed interest 3.5 %	1,879	126	3.4
Rate of guaranteed interest 2.5 %	6,487	704	9.5
Rate of guaranteed interest 0.0 %	8,901	517	18.3
Group pension insurance (defined contribution, rate of guaranteed interest 0.0 %)	1,697	102	4.9
Capital redemption contracts (rate of guaranteed interest 0.0 %)	48	1	0.4
Term insurance	923	31,037	3.7
Unit-linked contracts			
Unit-linked insurance contracts			
Savings insurance	337,139	13,636	12.1
Individual pension insurance	77,339	10,742	20.5
Group pension insurance	2,336	91	13.0
Capital redemption contracts	9,022	77	15.6
Unit-linked investment contracts	89,541	506	13.6
Reserve arising from liability adequacy test			
Total	**661,951**	**60,934**	

Liabilities related to insurance policies are measured in compliance with the Finnish Accounting Standards. The measurement principles are described in more detail in the accounting policies of the official financial statements (Note 2).

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

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

NOTE 34: SUBORDINATED LIABILITIES

(EUR 1,000)	Average interest rate %	31.12.2017
Subordinated loans	4.00 %	84
Other		
Debentures	2.00 %	100,200
Subordinated liabilities		**100,284**

(EUR 1,000)	Average interest rate %	31.12.2016
Subordinated loans	4.00 %	297
Other		
Debentures	2.20 %	121,438
Subordinated liabilities		**121,735**

NOTE 35: PROVISIONS AND OTHER LIABILITIES

(EUR 1,000)	31.12.2017	31.12.2016
Other liabilities		
Payment transfer liabilities	54,120	64,291
Other liabilities	7,414	9,057
Total other liabilities	**61,534**	**73,349**
Accrued expenses		
Interest payable	11,035	12,431
Interest advances received	909	1,352
Other accrued expenses	23,335	19,643
Total accured expenses	**35,279**	**33,427**
Provisions		
Pension provisions	3,355	1,576
Other provisions	13	280
Total provisions	**3,368**	**1,856**
Provisions and other liabilities	**100 181**	**108 631**

(EUR 1,000)	2017	2016
Change in provisions		
1 January	1,856	2,060
Increase in other provisions	-	280
Decrease in other provisions	-267	-888
Decrease in other provisions	1,780	403
31 December	**3,368**	**1,856**

NOTE 36: CAPITAL AND RESERVES

(EUR 1,000)	31.12.2017	31.12.2016
Basic capital	20,338	20,338
Reserves		
Primary capital	34,475	34,475
Reserve for invested non-restricted equity	60,354	60,354
Reserve fund	69,694	69,669
Fair value reserve	32,611	37,523
Reserve for hedging instruments	2,867	3,905
Other reserves	85,435	85,435
Retained earnings		
Profit (loss) for previous financial years	614,856	561,347
Profit (loss) for the financial year	70,424	56,361
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**

Basic capital

This item includes the paid share capital, cooperative capital and basic capital. If share capital is wholly or partly not entered in trade register, the unregistered amount must be presented in the balance sheet separately as a sub-item of this item.
The basic capital of the Savings Banks Group consists of the Savings Banks' basic capital, which is not paid back according to the Savings Bank Act § 11.

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

Primary capital

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

Share premium

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

Reserve for invested non-restricted equity

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

Reserve fund

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

Fair value reserve

Fair value reserve includes items arising from fair value measurements.

Reserve for hedging instruments

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

Other reserves

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

Retained earnings

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

Specification of changes in fair value reserve (EUR 1,000)	2017
Fair value reserve 1 January	37,523
Profit/loss from fair value measurements, shares and participations	31,913
Profit/loss from fair value measurements, securities	2,624
Deferred tax from fair value measurements	607
Non-controlling interest's share of the changes in fair value reserve	-1,006
Reclassified to income statement	-39,050
Fair value reserve 31 December	**32,611**

Specification of changes in the reserve for hedging instruments (EUR 1,000)	2017
Reserve for hedging instruments 1 January	3,905
Profit/loss from fair value measurements, derivatives hedging cash flow	-1,365
Deferred tax from fair value measurements	260
Reclassified to income statement	67
Reserve for hedging instruments 31 December	**2,867**

Specification of changes in fair value reserve (EUR 1,000)	2016
Fair value reserve 1 January	21,163
Profit/loss from fair value measurements, shares and participations	30,359
Profit/loss from fair value measurements, securities	12,983
Deferred tax from fair value measurements	-4,367
Non-controlling interest's share of the changes in fair value reserve	-698
Reclassified to income statement	-21,918
Fair value reserve 31 December	**37,523**

Specification of changes in the reserve for hedging instruments (EUR 1,000)	2016
Reserve for hedging instruments 1 January	3,651
Profit/loss from fair value measurements, derivatives hedging cash flow	146
Deferred tax from fair value measurements	-64
Reclassified to income statement	172
Reserve for hedging instruments 31 December	**3,905**

OTHER NOTES

NOTE 37: 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 38: 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 39: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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 40: FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

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

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 41: PENSION LIABILITIES

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

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

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

The defined benefit plan assets which are managed by insurance companies are part of their investment capital, and the related investment risk is on the insurance company.

"The potential impact of the pension reform to Group's pension liabilities have not yet been analysed. The pension reform has been approved by the Parliament of Finland and it will come into force in 2017.

(EUR 1,000)	31.12.2017	31.12.2016
Present value of obligation	18,083	15,907
Fair value of plan assets	14,723	14,331
Liability in balance sheet 31 December	**3,359**	**1,576**
Actuarial assumptions		
Discount rate, %	1.50 %	1.20 %
Pay development, %	2.20 %	1.90 %
Pension increase, %	0.00 - 2.00 %	0.00 - 1.65%

(EUR 1,000)	2017	2016
Current service cost	1,018	895
Previous service cost	250	93
Net interest	14	10
Costs recognised in income statement	1,282	998
Remeasurements	1,371	243
Comprehensive income before tax	**2,654**	**1,241**
Present value of obligation 1 January	15,907	13,546
Current service cost	1,018	895
Previous service cost	250	93
Interest expense	189	215
Actuarial gains (-) / losses (+) arising from experiential adjustments		
Actuarial gains (-) / losses (+) arising from changes in economic expectations	-110	612
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	1,065	801
Benefits paid	-237	-255
Present value of obligation 31 December	**18,083**	**15,907**
Fair value of plan assets 1 January	14,331	12,374
Interest expense	175	205
Return on plan assets excl. items in interest expense/income	-416	1,170
Benefits paid	-237	-255
Contributions	870	837
Fair value of plan assets 31 December	**14,723**	**14,331**
Present value of obligation	18,083	15,907
Fair value of plan assets	14,723	14,331
Liability in balance sheet 31 December	**3,359**	**1,576**
Liability in balance sheet 1 January	1,576	1,172
Costs in income statement	1,282	998
Contributions	-870	-837
Remeasurements in comprehensive income statement	1,371	243
Liability in balance sheet 31 December	**3,359**	**1,576**

Sensitivity analysis - net liability

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

	2017	2016
Change in discount rate +0.50%	-318	-168
Change in discount rate -0.50%	343	259
Change in pay development +0.50%	231	200
Change in pay development -0.50%	-222	-132
Change in pensions + 0.5 %	734	715
Change in pensions - 0.5 %	-664	-586

Duration based on the weighted average is 17 years (18).

The Savings Banks Group expects to contribute approximately EUR 873 thousand to defined benefit plans in 2018 (774).

NOTE 42: OPERATING LEASES

Savings Banks Group as lessee

The Savings Banks Group acts as a lessee of e.g. office space, printers and laptop computers.

(EUR 1,000)	31.12.2017	3,1.12.2016
Future minimum lease payments under non-cancellable operating leases payable		
Less than one year	2,966	1,682
Between one and five years	7,585	8,249
More than five years	6,010	4,809
Total	**16 561**	**14,740**

Savings Banks Group as lessor

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

(EUR 1,000)	31.12.2017	31.12.2016
Future minimum lease payments under non-cancellable operating leases receivable		
Less than one year	1,738	1,713
Between one and five years	2,662	5,329
More than five years	1,453	2,664
Total	**5,853**	**9,706**

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

Group structure

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

COMPANY	DOMICILE		
Technical parent company:			
Säästöpankki Sinetti	Orivesi		
Huittisten Säästöpankki	Huittinen		
Aito Säästöpankki Oy	Tampere		
Kalannin Säästöpankki	Uusikaupunki		
Avain Säästöpankki	Kortesjärvi		
Lammin Säästöpankki	Hyvinkää		
Liedon Säästöpankki	Lieto		
Länsi-Uudenmaan Säästöpankki	Lohja		
Mietoisten Säästöpankki	Masku		
Myrskylän Säästöpankki	Myrskylä		
Säästöpankki Optia	Iisalmi		
Helmi Säästöpankki Oy	Lahti		
Pyhärannan Säästöpankki	Pyhäranta		
Someron Säästöpankki	Somero		
Suomenniemen Säästöpankki	Suomenniemi		
Sysmän Säästöpankki	Sysmä		
Ylihärmän Säästöpankki	Ylihärmä		
Eurajoen Säästöpankki	Eurajoki		
Ekenäs Sparbank	Tammisaari		
Kiikoisten Säästöpankki	Sastamala		
Kvevlax Sparbank	Koivulahti		
Närpes Sparbank Ab	Närpiö		
		OWNERSHIP	OWNERSHIP
Subsidiaries:		**31.12.2017**	**31.12.2016**
Nooa Savings Bank Ltd	Helsinki	78.10 %	78.10 %
Central Bank of Savings Banks Finland Plc	Helsinki	94.73 %	94.73 %
Sp-Fund Management Company Ltd	Helsinki	92.57 %	92.57 %
Savings Banks' Union Coop	Helsinki	100.00 %	100.00 %
Savings Bank Services Ltd	Helsinki	100.00 %	100.00 %
Sb Life Insurance Ltd	Helsinki	81.22 %	81.22 %
Sp-Koti Oy	Helsinki	100.00 %	100.00 %
Säästöpankkien Holding Oy	Helsinki	80.10 %	80.10 %
Sp Mortgage Bank Plc	Helsinki	100.00 %	100.00 %

Consolidated mutual funds:			
Säästöpankki Yrityslaina	Helsinki	not consolidated	35.32 %
Säästöpankki High Yield	Helsinki	46.84 %	50.00 %
Säästöpankki Kehittyvät korkomarkkinat	Helsinki	47.30 %	68.10 %

Most significant real estate companies:			
Fast Ab Bankborg	Koivulahti	100 %	100 %
Fast Ab Kvevlax Affärshus	Koivulahti	65.90 %	65.90 %
Kiinteistö Oy Säästö-Erkko	Orimattila	64.58 %	64.58 %
Kiinteistö Oy Toritammi-Torgeken Fastighets Ab	Kaskinen	56.00 %	56.00 %
Kiinteistö Oy Eräjärven Pankkitalo	Eräjärvi	100 %	100 %
Kiinteistö Oy Oriveden Läsimäki	Orivesi	94.22 %	94.22 %
Kiinteistö Oy Kaustisen Säästökeskus	Pietarsaari	76.33 %	76.00 %
Kiinteistö Oy Käviän Säästöpuisto	Kokkola	100.00 %	100.00 %
Kiinteistö Oy Kalajoenrinne	Kalajoki	59.37 %	59.37 %

Significant restrictions

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

NCI in subsidiaries

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

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

Subsidiary	Domicile	Non-controlling ownership (%) 2017	Equity allocated to non-controlling interests 2017
Nooa Säästöpankki Oy	Helsinki	21.90	11,183
Central Bank of Savings Banks Finland Plc	Helsinki	5.27	2,630
Sb Life Insurance Ltd	Helsinki	18.78	7,429

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

(EUR 1,000)	Nooa Savings Bank Ltd 2017	Central Bank of Savings Banks Finland Plc 2017	Sb Life Insurance Ltd 2017
Loans and advances	201,901	2,572,202	
Life insurance assets			847,296
Other assets	558,782	101,320	4,975
Liabilities	709,238	2,623,621	813,464

In addition, the Savings Banks Group includes companies with non-controlling interest in ownership of 5.78-44.00% and in equity EUR 2,468 thousand. None of these companies is considered to be individually material.

Subsidiary	Domicile	Non-controlling ownership (%)	Equity allocated to non-controlling interests
		2016	2016
Nooa Savings Bank Ltd	Helsinki	21.90	10,426
Central Bank of Savings Banks Finland Plc	Espoo	5.27	2,533
Sb Life Insurance Ltd	Espoo	18.78	8,630

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

	Nooa Savings Bank Ltd	Central Bank of Savings Banks Finland Plc	Sb Life Insurance Ltd
(EUR 1,000)	2016	2016	2016
Loans and advances	609,310	2,196,084	
Life insurance assets			701,721
Other assets	142,780	109,048	2,762
Liabilities	704,094	2,257,061	673,368

In addition, the Savings Banks Group includes companies with non-controlling interest in ownership of 5.78-44.00% and in equity EUR 2,405 thousand. None of these companies is considered to be individually material.

Consolidated structured entities

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

The structured entities within the Group's sphere of influence are mutual funds managed by Sp-Fund Management Company, which is part of the Savings Banks Amalgamation. As Sp-Fund Management Company acts as the manager of the mutual funds, the Group is considered to have power over the mutual funds whereby it is able to affect the amount of returns received. The Group has determined the scope of consolidation to include the mutual funds where the ownership of the Savings Banks Group exceeds 40% as a longer-term investment. The Savings Banks Group must have owned more than 40% of the fund for more than half a year before the fund is consolidated. Two mutual funds were consolidated in the Group's financial statements on 31 December 2017 (3 at the end of 2016).

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

	31.12. 2017		21.12.2016	
(EUR 1,000)	Total assets	Total liabilities	Total assets	Total liabilities
Total mutual funds	47,780	25,369	173,479	108,595

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

Associates and joint ventures

Information about the Savings Banks Group's investments in associates and joint ventures is presented in Note 25 "Investments in associates".

NOTE 44: INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The table below presents financial information about the structured entities which are not consolidated in the Group's financial statements, as well as the Group's investment in these entities and the maximum exposure to loss. These entities are mutual funds managed by Sp-Fund Management Company, which is part of the Savings Banks Amalgamation. Three of the mutual funds of Sp Fund Management Company in which the Group has invested in are consolidated in the Group's financial statements, while 16 mutual funds are excluded from consolidation. The liabilities presented below represent the liabilities to both entities within the Group and other owners.

(EUR 1000)	31.12.2017			
	Total assets	Total liabilities	Group investment	Maximum exposure to loss
Total mutual funds	2,306,985	2,306,985	189,962	189,962

(EUR 1000)	31.12.2016			
	Total assets	Total liabilities	Group investment	Maximum exposure to loss
Total mutual funds	1,694,464	1,694,464	126,648	126,648

All holdings in mutual funds are classified as available-for-sale. The unrealised fair value changes of the unconsolidated mutual funds managed by Sp-Fund Management Company, amounting to EUR 5,830 thousand (5,493), are included in the other comprehensive income of the Group. During the financial year 2017, a total of EUR 8,149 thousand (4,638) of realised gains and losses was recorded in the invesment income of the Group.

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

NOTE 45: RELATED PARTIES

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

NOTE 46: SUBSEQUENT EVENTS

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

PILAR III DISCLOSURES

NOTE 47: 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 48: TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE

31.12.2017 EBA's Regulation numbering	(EUR 1,000)	(A) Amount at disclosure date	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013"
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	54,813	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Ordinary shares	54,813	EBA list 26 (3)	
2	Retained earnings	596,078	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves)	252,356	26 (1)	
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in Article 483 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
	Public sector capital injections grandfathered until 1 january 2018		483 (2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	63,820	26 (2)	
6	**Common Equity Tier 1 (CET1) capital bedore regulatory adjustments**	**967,067**		
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjutments (negative amount)	-2,867	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-23,608	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amounts)	-1,510	36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	

14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b) (c)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
22	Amount exceeding the 15 % threshold (negative amount)		48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)
25a	Losses for the current financial year (negative amount)		
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		36 (1) (l)
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-27,984	
29	**Common Equity Tier 1 (CET1) capital**	939,082	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts		51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)
	Public sector capital injections grandfathered until 1 january 2018		483 (3)

34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued bu subsidiaries and held by third parties		85, 86, 480
35	of which: instruments issued by subsidiaries subject to phase out		486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments		
	Additional Tier 1 (AT1) capital: ragulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**939,082**	
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	45,483	62, 63
47	Amount of qoulifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)
	Public sector capital injections grandfathered until 1 january 2018		483 (4)

48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)
50	Credit risk adjustments		62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**45,483**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)
54a	Of which new holdings not subject to transitional arrangements		
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79, 477 (4)
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**	**45,483**	
59	**Total capital (TC = T1 + T2)**	**984,565**	

59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)		
60	**Total risk weighted assets**	**5,165,694**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.18	92 (2) (a), 465
62	Tier 1 (as a percentage of total risk exposure amount)	18.18	92 (2) (b), 465
63	Total capital (as a percentage of total risk exposure)	19.06	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.00	CRD 128, 129, 130
65	of which: capital conservation buffer requirement	2.50	
66	of which: countercyclical buffer requirement	0.00	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	18.18	CRO 128
	Amounts below the threshold for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	24,031	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	25,249	36 (1) (i), 45, 48, 470, 472 (11)
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 - 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase ous arrangements		484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements		484 (5), 486 (4) & (5)
85	Amount exscluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)

31.12.2016 EBA's Regulation numbering	(EUR 1,000)	(A) Amount at disclosure date	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013"
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	54,813	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Ordinary shares	54,813	EBA list 26 (3)	
2	Retained earnings	547,727	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves)	260,295	26 (1)	
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in Article 483 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
	Public sector capital injections grandfathered until 1 january 2018		483 (2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	50,651	26 (2)	
6	**Common Equity Tier 1 (CET1) capital bedore regulatory adjustments**	**913,486**		
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjutments (negative amount)	-3,905	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-21,730	36 (1) (b), 37, 472 (4)	
9	Empty set in EU			
10	Deferred tax assets that rely on on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amounts)		36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	

14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b) (c)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)
20	Empty set in EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institutions opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
20c	of which: securitisation postions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	ow which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
22	Amount exceeding the 15 % threshold (negative amount)		48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)
24	Empty set in EU		
25	ow which: deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
25a	Losses for the current financial year (negative amount)		
25b	Forseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		36 (1) (l)
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		
	Of which...filter for unrealised loss 1		467
	Of which...filter for unrealised gain 1		468
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481
	of which:...		481
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-25,635**	
29	**Common Equity Tier 1 (CET1) capital**	**887,850**	

	Additional Tier 1 (AT1) capital: instruments	
30	Capital instruments and the related share premium accounts	51, 52
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	486 (3)
	Public sector capital injections grandfathered until 1 january 2018	483 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued bu subsidiaries and held by third parties	85, 86, 480
35	of which: instruments issued by subsidiaries subject to phase out	486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	
	Additional Tier 1 (AT1) capital: ragulatory adjustments	
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	52 (1) (b), 56 (a), 57, 475 (2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	56 (b), 58, 475 (3)
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	56 (c), 59, 60, 79, 475 (4)
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	56 (d), 59, 79, 475 (4)
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	Ow which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	477, 477 (3), 477 (4) (a)
	Ow which items to be detailed line by line, e.g. Reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	467, 468, 481
	Of which: ...possible filter for unrealised losses	467
	Of which:...possible filter for unrealised gains	468
	Of which: ...	481
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	56 (e)

43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**			
44	**Additional Tier 1 (AT1) capital**			
45	**Tier 1 capital (T1 = CET1 + AT1)**	**887,850**		
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	48,717	62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
	Public sector capital injections grandfathered until 1 january 2018		483 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)	
50	Credit risk adjustments		62 (c) & (d)	
51	**Tier 2 (T2) capital before regulatory adjustments**	**48,717**		
	Tier 2 (T2) capital: regulatory adjustments			145
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)	
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79, 477 (4)	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	
	Ow which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc.			
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc			

56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
	Of which: ...possible filter for unrealised losses		467	
	Of which: ...possible filter for unrealised gains		468	
	Of which: ...		**481**	
57	**Total regulatory adjustments to Tier 2 (T2) capital**			**0**
58	**Tier 2 (T2) capital**	**48,717**		
59	**Total capital (TC = T1 + T2)**	**936,567**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)			
	Of which: .. . items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future prolitability net of related tax liability, indirect holdings of own CET1, etc)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	
	Of which: ... items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings ol non- signilicant investments in the capital of other financial sector entities, etc)		475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	
	ltems not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. lndirect holdings of own t2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
60	**Total risk weighted assets**	**4,805,436**		
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.48	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	18.48	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure)	19.49	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.00	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	2.50		
66	of which: countercyclical buffer requirement	0.00		
67	of which: systemic risk buffer requirement			
67a	of which: Global Systemically lmportant Institution(G-SII) or Other Systemically lmportant Institution (O-SII) buffer		CRO 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	18.48	CRO 128	
69	[non relevant in EU regulation]			
70	[non relevant in EU regulation]			
71	[non relevant in EU regulation]			

	Amounts below the threshold for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the instituti-on does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	36,355	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	25,249	36 (1) (c), 38, 48, 470, 472 (5)
74	Empty Set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the coniditions in Article 38 (3) are met)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 - 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase ous arrangements		484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements	4,956	484 (5), 486 (4) & (5)
85	Amount exscluded from T2 due to cap (excess over cap after redemptions and maturities)	-2,124	484 (5), 486 (4) & (5)

NOTE 49: ISSUED TIER 2 (T2) INSTRUMENTS RECOGNISED IN REGULATORY CAPITAL

The table below provides a list of issued Tier 2 (T2) instruments

2017 (EUR 1,000) Issuer	ISIN	Interest rate	Maturity	Amount recognised in regulatory capital	Balance sheet value
Aito Säästöpankki Oy	FI4000207030	1.500	23.8.21	3,645	5,000
Aito Säästöpankki Oy	FI4000153903	2.000	25.8.20	2,651	5,000
Aito Säästöpankki Oy	FI4000102686	2.500	12.11.19	2,984	8,000
Avain Säästöpankki	FI4000257449	2.100	15.10.22	1,916	2,000
Ylihärmän Säästöpankki	FI4000257449	2.100	15.10.22	3,352	3,500
Avain Säästöpankki	FI4000153622	2.250	15.10.20	1,116	2,000
Ylihärmän Säästöpankki	FI4000153622	2.250	15.10.20	1,395	2,500
Avain Säästöpankki	FI4000201504	2.250	15.8.21	1,449	2,000
Avain Säästöpankki	FI4000099320	2.550	15.10.19	715	2,000
Ylihärmän Säästöpankki	FI4000099320	2.550	15.10.19	715	2,000
Eurajoen Säästöpankki	FI4000157169	2.600	30.11.20	2,090	3,584
Eurajoen Säästöpankki	FI4000092606	3.000	2.6.19	274	5,513
Helmi Säästöpankki Oy	FI4000157516	2.000	22.10.20	990	1,762
Huittisten Säästöpankki	FI4000071543	2.850	18.11.18	253	5,000
Kalannin Säästöpankki	FI4000108584	2.500	24.11.19	1,139	3,000
Liedon Säästöpankki	FI4000096896	2.500	26.8.19	730	2,211
Liedon Säästöpankki	FI4000153630	2.000	18.8.20	943	1,791
Liedon Säästöpankki	FI4000176474	2.000	17.2.21	2,124	3,390
Liedon Säästöpankki	FI4000201645	2.000	18.8.21	1 702	2,344
Liedon Säästöpankki	FI4000223946	2.000	21.2.22	3,011	3,634
Liedon Säästöpankki	FI4000252200	2.000	22.8.22	1,339	1,443
Myrskylän Säästöpankki	FI4000157482	2.100	26.10.20	458	812
Myrskylän Säästöpankki	FI4000099353	3.000	26.9.19	575	1,655
Myrskylän Säästöpankki	FI4000288394	2.000	1.2.23	1,393	1,393
Nooa Säästöpankki Oy	FI4000220165	1.500	20.12.21	1,291	1,626
Nooa Säästöpankki Oy	FI4000090287	2.750	14.6.19	714	2,461
Nooa Säästöpankki Oy	FI4000108477	1.560	10.12.19	512	1,319
Nooa Säästöpankki Oy	FI4000108469	1.810	10.12.19	570	1,468
Nooa Säästöpankki Oy	FI4000153523	1.250	4.8.20	741	1,428
Nooa Säästöpankki Oy	FI4000170626	1.000	21.12.20	1,788	3,007
Nooa Säästöpankki Oy	FI4000201520	1.500	20.7.21	1,018	1,433
Nooa Säästöpankki Oy	FI4000282975	1.500	11.1.23	665	665
Nooa Säästöpankki Oy	FI4000251988	1.500	18.7.22	644	708
Someron Säästöpankki	FI4000104823	1.500	14.11.19	581	1,553
Total				**45,483**	**87,200**

The table below provides a list of issued Tier 2 (T2) instruments

2016 (EUR 1,000) Issuer	ISIN	Interest rate	Maturity	Amount recognised in regulatory capital	Balance sheet value
Aito Säästöpankki Oy	FI4000102686	2.500	12.11.19	4,583	8,000
Aito Säästöpankki Oy	FI4000153903	2.000	25.8.20	3,650	5,000
Aito Säästöpankki Oy	FI4000207030	1.500	23.8.21	4,644	5,000
Avain Sp, Ylihärmän Sp	FI4000099320	2.550	15.10.19	2,230	4,000
Avain Sp, Ylihärmän Sp	FI4000153622	2.250	15.10.20	3,411	4,500
Avain Säästöpankki	FI4000201504	2.250	15.8.21	1,849	2,000
Eurajoen Säästöpankki	FI4000092606	3.000	2.6.19	467	5,513
Eurajoen Säästöpankki	FI4000157169	2.600	30.11.20	2,807	3,584
Helmi Säästöpankki Oy	FI4000157516	2.000	22.10.20	1,342	1,762
Huittisten Säästöpankki	FI4000071543	2.850	18.11.18	541	5,000
Kalannin Säästöpankki	FI4000108584	2.500	24.11.19	1,738	3,000
Liedon Säästöpankki	FI4000096896	2.500	26.8.19	1,172	2,211
Liedon Säästöpankki	FI4000153630	2.000	18.8.20	1,301	1,791
Liedon Säästöpankki	FI4000176474	2.000	17.2.21	2,801	3,390
Liedon Säästöpankki	FI4000201645	2.000	18.8.21	2,171	2,344
Liedon Säästöpankki	FI4000223946	2.000	21.2.22	2,341	2,341
Myrskylän Säästöpankki	FI4000099353	3.000	26.9.19	905	1,655
Myrskylän Säästöpankki	FI4000157482	2.100	26.10.20	620	812
Nooa Säästöpankki Oy	FI0002002577	1.684	18.9.17	71	500
Nooa Säästöpankki Oy	FI4000090287	2.750	14.6.19	1,206	2,461
Nooa Säästöpankki Oy	FI4000108469	1.922	10.12.19	863	1,468
Nooa Säästöpankki Oy	FI4000108477	1.672	10.12.19	776	1,319
Nooa Säästöpankki Oy	FI4000153523	2.500	4.8.20	1,026	1,428
Nooa Säästöpankki Oy	FI4000170626	2.750	21.12.20	2,389	3,007
Nooa Säästöpankki Oy	FI4000201520	1.500	20.7.21	1,304	1,433
Nooa Säästöpankki Oy	FI4000220165	1.500	20.12.21	1,616	1,626
Someron Säästöpankki	FI4000104823	1.500	14.11.19	891	1,553
Total				**48,717**	**76,698**

Commission implementing regulation (EU) No 1423/2013	31.12.2017 (EUR 1,000)	4503AITD015021	4503AITD020020	4503AITD025019	4912AVAD021022	4912AVAD022520	4912AVAD022521	4912AVAD0255019	4450EURD026020
1	Issuer	Aito Säästöpankki Oy	Aito Säästöpankki Oy	Aito Säästöpankki Oy	Avain Säästöpankki	Avain Säästöpankki	Avain Säästöpankki	Avain Säästöpankki	Eurajoen Säästöpankki
2	Unique identifier (ISIN)	FI4000207030	FI4000153903	FI4000102686	FI4000257449	FI4000153622	FI4000201504	FI4000099320	FI4000157169
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	T2	T2	T2	T2	T2	T2	T2	T2
5	Post-transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	3 645	2 651	2 984	1 916	1 116	1 449	715	2 090
9	Nominal amount of instrument	5 000	5 000	8 000	2 000	2 000	2 000	2 000	3 584
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	23.5.16	25.5.15	12.8.14	8.5.17	11.5.15	2.5.16	23.6.14	8.6.15
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	23.8.21	25.8.20	12.11.19	15.10.22	15.10.20	15.8.21	15.10.19	30.11.20
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	fixed	fixed	fixed	fixed	fixed	fixed	fixed	fixed
18	Coupon rate and any related index	1,50 %	2,00 %	2,50 %	2,10 %	2,25 %	2,25 %	2,55 %	2,60 %
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital

Commission implementing regulation (EU) No 1423/2013	31.12.2017 (EUR 1,000)	4450EURDVAIH19	4212HSPD020020	4456HUID028518	4350KALDVAIH19	4309LIEDVAIH19	4309LIEDVAIH20	4309LIEDVAIH21	4309LIEDVAIH21A
1	Issuer	Eurajoen Säästöpankki	Helmi Säästöpankki Oy	Huittisten Säästöpankki	Kalannin Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki
2	Unique identifier (ISIN)	FI4000092606	FI4000157516	FI4000071543	FI4000108584	FI4000096896	FI4000153630	FI4000176474	FI4000201645
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	T2	T2	T2	T2	T2	T2	T2	T2
5	Post-transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	274	990	253	1 139	730	943	2 124	1 702
9	Nominal amount of instrument	5 513	1 762	5 000	3 000	2 211	1 791	3 390	2 344
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	2.6.14	22.6.15	18.11.13	24.9.14	26.5.14	18.5.15	17.11.15	18.5.16
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	2.6.19	22.10.20	18.11.18	24.11.19	26.8.19	18.8.20	17.2.21	18.8.21
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	floating	fixed	fixed	floating	floating	floating	floating	floating
18	Coupon rate and any related index	Floating Euribor 12-month + 2.0 % (minimum rate 3.0 %)	2,00 %	2,85 %	Fixed 2.5% (first year), thereafter floating Euribor 12-month + 0.5%(minimum rate 2.5 %)	12- month Euribor + 0.50% (minimum rate 2.50 %)	12-month Euribor + 0.50% (minimum rate 2.0 %)	12-month Euribor + 0.50% (minimum rate 2.0 %)	12-month Euribor + 0.50% (minimum rate 2.0 %)
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital

Commission implementing regulation (EU) No 1423/2013	31.12.2017 (EUR 1,000)	4309LIEDVAIH22	4309LIEDVAIH22A	4210MYRD021020	4210MYRD030019	4210MYRDVAIH23	4405NOSD015021	4405NOSD027519	4405NOSDVAIH19
1	Issuer	Liedon Säästöpankki	Liedon Säästöpankki	Myrskylän Säästöpankki	Myrskylän Säästöpankki	Myrskylän Säästöpankki	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy
2	Unique identifier (ISIN)	FI4000223946	FI4000252200	FI4000157482	FI4000099353	FI4000288394	FI4000220165	FI4000090287	FI4000108477
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	T2	T2	T2	T2	T2	T2	T2	T2
5	Post-transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	3 011	1 339	458	575	1 393	1 291	714	512
9	Nominal amount of instrument	3 634	1 443	812	1 655	1 393	1 626	2 461	1 319
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	21.11.16	22.5.17	26.6.15	26.6.14	1.11.17	19.9.16	14.4.14	10.9.14
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	21.2.22	22.8.22	26.10.20	26.9.19	1.2.23	20.12.21	14.6.19	10.12.19
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	floating	floating	fixed	fixed	floating	fixed	fixed	floating
18	Coupon rate and any related index	12-month Euribor + 0.50% (minimum rate 2.0 %)	12-month Euribor + 0.50% (minimum rate 2.0 %)	2,10 %	3,00 %	12-month Euribor + 0.50% (minimum rate 2.0 %)	1,50 %	2,75 %	Fixed 2.75% until 10.12.2016, thereafter floating Euribor 12-month + 1.75 %
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital

Commission implementing regulation (EU) No 1423/2013	31.12.2017 (EUR 1,000)	4405NOSDVAIH19A	4405NOSDVAIH20	4405NOSDVAIH20A	4405NOSDVAIH21	4405NOSDVAIH23	4405NOSJ015022	4327SSPDVAIH19
1	Issuer	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Someron Säästöpankki
2	Unique identifier (ISIN)	FI4000108469	FI4000153523	FI4000170626	FI4000201520	FI4000282975	FI4000251988	FI4000104823
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	T2	T2	T2	T2	T2	T2	T2
5	Post-transitional CRR rules	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	570	741	1 788	1 018	665	644	581
9	Nominal amount of instrument	1 468	1 428	3 007	1 433	665	708	1 553
9a	Issue price	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	10.9.14	4.5.15	21.9.15	20.4.16	11.10.17	18.4.17	14.8.14
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	10.12.19	4.8.20	21.12.20	20.7.21	11.1.23	18.7.22	14.11.19
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	floating	fixed	fixed	fixed	fixed	fixed	floating
18	Coupon rate and any related index	Fixed 3.0% until 10.12.2016, thereafter floating Euribor 12-month + 2.0 %	1,25 %	1,00 %	1,50 %	1,50 %	1,50 %	Fixed 2.50 % (first year), thereafter 12-month Euribor + 0.5% (minium 1.5 % - 3.00 %)
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A

27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital

Commission implementing regulation (EU) No 1423/2013	31.12.2017 (EUR 1,000)	4327SSPDVAIH19	4928AVAD021022	4928AVAD022520	4928AVAD0255019	Share capital
1	Issuer	Someron Säästöpankki	Ylihärmän Säästöpankki	Ylihärmän Säästöpankki	Ylihärmän Säästöpankki	
2	Unique identifier (ISIN)	FI4000104823	FI4000257449	FI4000153622	FI4000099320	N/A
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	T2	T2	T2	T2	CET1
5	Post-transitional CRR rules	N/A	N/A	N/A	N/A	CET1
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 28
8	Amount recognised in regulatory capital	581	3 352	1 395	715	54 813
9	Nominal amount of instrument	1 553	3 500	2 500	2 000	N/A
9a	Issue price	100	100	100	100	N/A
9b	Redemption price	100 %	100 %	100 %	100 %	N/A
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders' equity
11	Original date of issuance	14.8.14	8.5.17	11.5.15	23.6.14	
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Perpetual
13	Original maturity date	14.11.19	15.10.22	15.10.20	15.10.19	No maturity
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	No
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	floating	fixed	fixed	fixed	
18	Coupon rate and any related index	Fixed 2.50 % (first year), thereafter 12-month Euribor + 0.5% (minium 1.5 % - 3.00 %)	2,10 %	2,25 %	2,55 %	
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	completely discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	completely discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A

27	If convertible, mandatory or optional conversion	N/A	No	No	No	No
28	If convertible, specifiy instrument type convertible into	N/A	Mandatory	Mandatory	Mandatory	completely discretionary
29	If convertible, specifiy issuer of instrument it converts into	N/A	Mandatory	Mandatory	Mandatory	completely discretionary
30	Write-down features	N/A	No	No	No	No
31	If write-down, write-down trigger (s)	N/A	Non cumulative	Non cumulative	Non cumulative	Non cumulative
32	If write-down, full or partial	N/A	Non-convertible	Non-convertible	Non-convertible	Non-convertible
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	N/A	N/A	N/A	N/A
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital

Commission implementing regulation (EU) No 1423/2013	31.12.2016 (EUR 1,000)	AITD025019	AITD020020	AITD015021	AVAD0255019	AVAD022520	AVAD022521	EURDVAIH19	EURD026020
1	Issuer	Aito Säästöpankki Oy	Aito Säästöpankki Oy	Aito Säästöpankki Oy	Avain Säästöpankki, Ylihärmän Säästöpankki	Avain Säästöpankki, Ylihärmän Säästöpankki	Avain Säästöpankki	Eurajoen Säästöpankki	Eurajoen Säästöpankki
2	Unique identifier (ISIN)	FI4000102686	FI4000153903	FI4000207030	FI4000099320	FI4000153622	FI4000201504	FI4000092606	FI4000157169
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	T2	T2	T2	T2	T2	T2	T2	T2
5	Post-transitional CRR rules	[N/A]	T2	T2	[N/A]	[N/A]	T2	T2	T2
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	4 583	3 650	4 644	2 230	3 411	1 849	467	2 807
9	Nominal amount of instrument	8 000	5 000	5 000	4 000	4 500	2 000	5 513	3 584
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	12.8.14	25.5.15	23.5.16	23.6.14	11.5.15	2.5.16	2.6.14	8.6.15
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	12.11.19	25.8.20	23.8.21	15.10.19	15.10.20	15.8.21	2.6.19	30.11.20
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Floating	Fixed
18	Coupon rate and any related index	2.50%	2.00%	1.5%	2.55%	2.25%	2.25%	Floating Euribor 12-month + 2.0 % (minimum rate 3.0 %)	2.60%
19	Existence of a dividend stopper	3	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital

Commission implementing regulation (EU) No 1423/2013	31.12.2016 (EUR 1,000)	HSPD020020	HUID028518	KALDVAIH19	LIEDVAIH19	LIEDVAIH20	LIEDVAIH21	LIEDVAIH21A	LIEDVAIH22
1	Issuer	Helmi Säästöpankki Oy	Huittisten Säästöpankki	Kalannin Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki
2	Unique identifier (ISIN)	FI4000157516	FI4000071543	FI4000108584	FI4000096896	FI4000153630	FI4000176474	FI4000201645	FI4000223946
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	T2	T2	T2	T2	T2	T2	T2	T2
5	Post-transitional CRR rules	[N/A]	T2	T2	T2	T2	T2	T2	[N/A]
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	1 342	541	1 738	1 172	1 301	2 801	2 171	2 341
9	Nominal amount of instrument	1 762	5 000	3 000	2 211	1 791	3 390	2 344	2 341
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	22.6.15	18.11.13	24.9.14	26.5.14	18.5.15	17.11.15	18.5.16	21.11.16
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	22.10.20	18.11.18	24.11.19	26.8.19	18.8.20	17.2.21	18.8.21	21.2.22
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed to floating	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	2.00%	2.85%	Fixed 2.5% (first year), thereafter floating Euribor 12-month + 0.5%(minimum rate 2.5 %)	12- month Euribor + 0.50% (minimum rate 2.50 %)	12-month Euribor + 0.50% (minimum rate 2.0 %)	12-month Euribor + 0.50% (minimum rate 2.0 %)	12-month Euribor + 0.50% (minimum rate 2.0 %)	12-month Euribor + 0.50% (minimum rate 2.0 %)
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital

Commission implementing regulation (EU) No 1423/2013	31.12.2016 (EUR 1,000)	MYRD030019	MYRD021020	NOOADEB2012	NOSD027519	NOSDVAIH19	NOSDVAIH19A	NOSDVAIH20	NOSDVAIH20A
1	Issuer	Myrskylän Säästöpankki	Myrskylän Säästöpankki	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy
2	Unique identifier (ISIN)	FI4000099353	FI4000157482	FI0002002577	FI4000090287	FI4000108477	FI4000108469	FI4000153523	FI4000170626
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	T2	T2	T2	T2	T2	T2	T2	T2
5	Post-transitional CRR rules	T2	T2	[N/A]	T2	T2	[N/A]	T2	[N/A]
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	905	620	71	1 206	776	863	1 026	2 389
9	Nominal amount of instrument	1 655	812	500	2 461	1 319	1 468	1 428	3 007
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	26.6.14	26.6.15	18.9.07	14.4.14	10.9.14	10.9.14	4.5.15	21.9.15
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	26.9.19	26.10.20	18.9.17	14.6.19	10.12.19	10.12.19	4.8.20	21.12.20
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed	Fixed	Floating	Fixed	Fixed to floating	Fixed to floating	Fixed	Fixed
18	Coupon rate and any related index	3 %	2.10%	3-month Euribor + 0.5 % until 18.9.2012, thereafter + 2.0 %	2,75 %	Fixed 2.75% until 10.12.2016, thereafter floating Euribor 12-month + 1.75 %	Fixed 3.0% until 10.12.2016, thereafter floating Euribor 12-month + 2.0 %	2.50 %	2,75 %
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capi-tal and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital

Commission implementing regulation (EU) No 1423/2013	31.12.2016 (EUR 1,000)	NOSDVAIH21	NOSD015021	SSPDVAIH19	Share capital
1	Issuer	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Someron Säästöpankki	
2	Unique identifier (ISIN)	FI4000201520	FI4000220165	FI4000104823	N/A
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	T2	T2	T2	T2
5	Post-transitional CRR rules	[N/A]	[N/A]	[N/A]	T2
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 28
8	Amount recognised in regulatory capital	1 304	1 616	891	54 670
9	Nominal amount of instrument	1 433	1 626	1 553	N/A
9a	Issue price	100	100	100	N/A
9b	Redemption price	100 %	100 %	100 %	N/A
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders' equity
11	Original date of issuance	20.4.16	19.9.16	14.8.14	
12	Perpeptual or dated	Dated	Dated	Dated	Perpetual
13	Original maturity date	20.7.21	20.12.21	14.11.19	21.12.20
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	No
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed to floating	
18	Coupon rate and any related index	1.50 %	1.50 %	Fixed 2.50 % (first year), thereafter 12-month Euribor + 0.5% (minium 1.5 % - 3.00 %)	
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A

27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	No
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	N/A

NOTE 50: 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**

NOTE 51: 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 52: 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
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
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 53: CREDIT RISK EXPOSURES BY RISK WEIGHTS

Credit and counterpart risk

Risk weight (%)	31.12.2017 (EUR 1,000)	31.12.2016 (EUR 1,000)
0	1,386,319	1,778,221
10	38,673	40,943
20	161,554	173,211
35	5,695,825	5,069,804
50	62,749	79,893
75	1,886,460	1,407,545
100	1,787,586	1,599,350
150	71,509	57,977
250	25,249	25,259
350	0	0
1250	0	0
Total exposure	**11,115,925**	**10,232,203**

NOTE 54: CREDIT RISK EXPOSURES BY MATURITY

Credit and counterparty risk

(EUR 1,000)	31.12.2017					
Exposure class	Total	less than 3 months	3-12 months	1-5 years	5-10 years	over 10 years
Exposures to central governments or central banks	1,292,571	1,102,623	2,164	103,024	83,355	1,406
Exposures to regional governments or local authorities	18,056	1,767	116	9,416	1,785	4,972
Exposures to public sector entities						
Exposures to multilateral development banks	51,188			51,188		
Exposures to international organisations						
Exposures to institutions	117,296	3,446	20,759	39,682	2,430	50,979
Exposures to corporates	1,162,353	80,096	105,343	383,790	215,799	377,326
Retail exposures	1,886,460	53,820	67,807	220,331	322,693	1,221,809
Exposures secured by mortages on immovable property	5,729,677	66,876	97,262	430,606	912,892	4,222,040
Exposures in default	72,273	36,238	3,128	4,436	5,712	22,759
Exposures associated with particularly high risk	5,387					5,387
Exposures in the form of covered bonds	39,244			12,514	26,730	
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	64,286		124		99,816
Total exposures	**11,115,925**	**1,409,152**	**296,578**	**1,255,110**	**1,571,396**	**6,583,689**

(EUR 1,000)	31.12.2016					
Exposure class	Total	less than 3 months	3-12 months	1-5 years	5-10 years	over 10 years
Exposures to central governments or central banks	1,311,593	876,655	42,261	85,893	102,707	204,076
Exposures to regional governments or local authorities	18,506	997	235	2,562	4,353	10,359
Exposures to public sector entities	1,203		1,203	1		
Exposures to multilateral development banks	1,235			356	813	66
Exposures to international organisations						
Exposures to institutions	173,758	50,827	11,611	56,492	3,464	51,365
Exposures to corporates	1,046,517	60,597	72,706	403,676	176,775	332,762
Retail exposures	1,777,016	55,012	61,878	250,205	326,512	1,083,408
Exposures secured by mortages on immovable property	5,089,427	62,290	83,357	405,712	851,602	3,686,465
Exposures in default	68,956	27,687	4,181	7,050	6,112	23,926
Exposures associated with particularly high risk	4,538					4,538
Exposures in the form of covered bonds	41,592	776		17,640	23,176	
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	93,650		100		60,922
Total exposures	**10,232,203**	**1,228,492**	**277,433**	**1,229,686**	**1,495,515**	**6,001,078**

NOTE 55: CREDIT RISK EXPOSURES BY BUSINESS SEGMENTS

Credit and counterparty risk

(EUR 1,000)	31.12.2017					
Exposure class	Total	Other	Private customers	Agricultural	Corporate	-of which SME exposures
Exposures to central governments or central banks	1,292,571	1,292,571				
Exposures to regional governments or local authorities	18,056	18,056				
Exposures to public sector entities						
Exposures to multilateral development banks	51,188	51,188				
Exposures to international organisations						
Exposures to institutions	117,296	117,296				
Exposures to corporates	1,162,353	329,861	39,440	103,690	689,364	102,746
Retail exposures	1,886,460	87,002	1,191,335	190,721	417,401	354,242
Exposures secured by mortages on immovable property	5,729,677	214,763	4,866,107	188,103	460,705	301,437
Exposures in default	72,273	7,005	40,416	3,614	21,238	
Exposures associated with particularly high risk	5,387	5,387				
Exposures in the form of covered bonds	39,244	37,885			1,359	
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	35,798			14,269	
Other items	164,227	164,227				
Total exposures	**11,115,925**	**2,888,165**	**6,137,298**	**486,127**	**1,604,336**	**758,425**

(EUR 1,000)	31.12.2016					
Exposure class	Total	Other	Private customers	Agricultural	Corporate	-of which SME exposures
Exposures to central governments or central banks	1,311,593	1,056,009	209,328	6,729	39,527	
Exposures to regional governments or local authorities	18,506	9,826		196	8,484	
Exposures to public sector entities	1,203	1,203	1			
Exposures to multilateral development banks	1,235	879			356	
Exposures to international organisations						
Exposures to institutions	173,758	173,626	82	4	47	
Exposures to corporates	1,046,517	195,575	63,119	129,796	658,027	410,135
Retail exposures	1,777,016	64,228	1,011,981	268,906	431,900	465,588
Exposures secured by mortages on immovable property	5,089,427	151,650	4,331,475	198,986	407,315	424,559
Exposures in default	68,956	3,224	40,225	6,111	19,396	
Exposures associated with particularly high risk	4,538	4,538				
Exposures in the form of covered bonds	41,592	40,240			1,352	
Items representing securitisation positions	0					
Exposures to institutions and corporates with a short-term credit assesment	0					
Exposures in the form of units or shares in collective investment undertakings (CIUs)	483,476	483,476				
Equity exposures	59,715	52,842		110	6,763	
Other items	154,671	154,671				
Total exposures	**10,232,203**	**2,391,987**	**5,656,211**	**610,838**	**1,573,168**	**1,300,282**

NOTE 56: GUARANTEES TAKEN INTO ACCOUNT IN THE CAPITAL ADEQUACY CALCULATIONS

Credit and counterparty risk

(EUR 1,000)	31.12.2017			
Exposure class	Total exposures	Guarantees	Financial guarantees	Other guarantees
Exposures to central governments or central banks	1,292 571			
Exposures to regional governments or local authorities	18,056		213	
Exposures to public sector entities				
Exposures to multilateral development banks	51,188			
Exposures to international organisations				
Exposures to institutions	117,296			
Exposures to corporates	1,162,353	43,837	7,716	927
Retail exposures	1,886,460	391,827	38,015	1,071
Exposures secured by mortages on immovable property	5,729,677			5,722,593
Exposures in default	72,273	2,179	180	41
Exposures associated with particularly high risk	5,387			
Exposures in the form of covered bonds	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			
Equity exposures	50,068			
Other items	164,227			
Total exposures	**11,115,925**	**437,844**	**46,125**	**5,724,631**

(EUR 1,000)	31.12.2016			
Exposure class	Total exposures	Guarantees	Financial guarantees	Other guarantees
Exposures to central governments or central banks	1,311,593			
Exposures to regional governments or local authorities	18,506		234	
Exposures to public sector entities	1,203			
Exposures to multilateral development banks	1,235			
Exposures to international organisations				
Exposures to institutions	173,758			
Exposures to corporates	1,046,517	40,250	9,150	433
Retail exposures	1,777,016	329,306	38,979	1,185
Exposures secured by mortages on immovable property	5,089,427			5,089,427
Exposures in default	68,956	1,355	102	28
Exposures associated with particularly high risk	4,538			
Exposures in the form of covered bonds	41,592			
Items representing securitisation positions	0			
Exposures to institutions and corporates with a short-term credit assesment	0			
Exposures in the form of units or shares in collective investment undertakings (CIUs)	483,476			
Equity exposures	59,715			
Other items	154,671			
Total exposures	**10,232,203**	**370,911**	**48,465**	**5,091,073**

NOTE 57: THE GEOGRAPHICAL DISTRIBUTION OF RELEVANT CREDIT EXPOSURES

Credit and counterparty risk

(EUR 1,000)	31.12.2017		
Exposure class	Total	Finland	Other countries
Exposures to central governments or central banks	1,292,571	1,150,388	142,184
Exposures to regional governments or local authorities	18,056	18,056	
Exposures to public sector entities			
Exposures to multilateral development banks	51,188	50,000	1,188
Exposures to international organisations			
Exposures to institutions	117,296	51,778	65,517
Exposures to corporates	1,162,353	1,036,117	126,236
Retail exposures	1,886,460	1,880,860	5,599
Exposures secured by mortages on immovable property	5,729,677	5,719,258	10,419
Exposures in default	72,273	72,265	7
Exposures associated with particularly high risk	5,387	5,387	
Exposures in the form of covered bonds	39,244	8,297	30,946
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	346,138	180,989
Equity exposures	50,068	44,401	5,667
Other items	164,227	164,227	
Total exposures	**11,115,925**	**10,547,172**	**568,753**

(EUR 1,000)	31.12.2016		
Exposure class	Total	Finland	Other countries
Exposures to central governments or central banks	1,311,593	1,178,729	132,864
Exposures to regional governments or local authorities	18,506	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	173,758	100,245	73,513
Exposures to corporates	1,046,517	932,156	114,362
Retail exposures	1,777,016	1,773,114	3,902
Exposures secured by mortages on immovab-le property	5,089,427	5,081,307	8,120
Exposures in default	68,956	68,895	61
Exposures associated with particularly high risk	4,538	4,538	
Exposures in the form of covered bonds	41,592	12,560	29,032
Items representing securitisation positions	0		
Exposures to institutions and corporates with a short-term credit assesment	0		
Exposures in the form of units or shares in collective investment undertakings (CIUs)	483,476	309,771	173,704
Equity exposures	59,715	52,389	7,326
Other items	154,671	154,671	
Total exposures	**10,232,203**	**9,688,085**	**544,119**

NOTE 58: ASSET ENCUMBRANCE

31.12.2017 (EUR 1,000)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institutions	**1,534,834**	**1,534,834**		
Equity instruments			581,638	581,708
Debt securities	49,675	49,675	635,860	637,925
Other assets	1,485,159	1,485,159	7,718,794	

Collateral received				
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance		
Collateral received by the reporting institutions				
Equity instruments				
Debt securities				
Other collateral received				
Own debt securities issued other than own covered bonds or ABSs				

Encumbered assets/collateral receives and debts due to those				
	Matching liabilities, contingent liabilities or securities lent	Assets, colalteral received and own securities issued other than covered bonds and ABSs encumbered		
Carrying amount of selected financial liabilities	**1,034,591**	**1,534,834**		

Information about the importance of assets encumbrance

The Bank has used collateral of securities in the balance with a fair value of EUR 1,534,834 thousand.

The Bank's received securities is not pledged as collaltaral. Information on the situation 31 December 2017.

31.12.2016 (EUR 1,000)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institutions	**762,118**	**762,118**	**8,872,204**	**0**
Equity instruments			546,666	
Debt securities	58,626	58,626	712,125	
Other assets	703,492	703,492	7,613,413	

Collateral received				
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance		
Collateral received by the reporting institutions		**0**		
Equity instruments				
Debt securities				
Other collateral received				
Own debt securities issued other than own covered bonds or ABSs				

Encumbered assets/collateral receives and debts due to those				
	Matching liabilities, contingent liabilities or securities lent	Assets, colalteral received and own securities issued other than covered bonds and ABSs encumbered		
Carrying amount of selected financial liabilities	**516,504**	**762,118**		

Information about the importance of assets encumbrance

The Bank has used collateral of securities in the balance with a fair value of EUR 762,118 thousand.

The Bank's received securities is not pledged as collalteral. Information on the situation 31 December 2016.

NOTE 59: OPERATIONAL RISK

(EUR 1,000)	2017	2016	2015	2014	2013	Capital requirement
Cross income total	269,001	237,005	216,160	221,155	192,699	
Profit indicator	40,350	35,551	32,424	33,173	28,905	36,108

(EUR 1,000)	2017	2016	2015	2014	2013	Capital requirement
Cross income total	269,001	237,005	216,160	221,155	192,699	
Profit indicator	40,350	35,551	32,424	33,173	28,905	33,716

Profit indicator is calculated to basic indicator approach which is described in EU:s regulation No 575/2013

Minimium capital requirement = sum of yearly positive profit indicators / sum of the years the profit indicator has been positive.

Operational risk means the possibility of losses that can be caused by unsufficient internal processes, personnel, systems or external factor.

NOTE 60: LEVERAGE RATIO

Summary reconciliation of accounting assets and leverage ratio exposures

(EUR 1,000)		31.12.2017	31.12.2016
1	Total assets as per published financial statements	10,471,126	9,634,323
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013	-	-
4	Adjustments for derivative financial instruments	23,481	28,888
5	Adjustments for securities financing transactions (SFTs)	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	222,765	210,883
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-	-
7	Other adjustments	-76,591	-72,261
8	**Total leverage ratio exposure measure**	**10,640,780**	**9,801,832**

Leverage ratio common disclosure		CRR leverage ratio exposures 31.12.2017	31.12.2016
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	10,358,358	9,504,627
2	(Asset amounts deducted in determining Tier 1 capital)	-27,984	-25,635
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	10,330,373	9,478,992
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	64,161	83,070
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	23,481	28,888
11	Total derivative exposures	87,642	111,958
Securities financing transaction exposures			
16	Total securities financing transaction exposures	0	0
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	629,749	584,558
18	Adjustments related to credit conversion factors	-406,984	-373,675
19	Other off-balance sheet exposures	222,765	210,883
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)			
Capital and total exposures			
20	Tier 1 capital	939,082	887,850
21	Total leverage ratio exposures	10,640,780	9,801,832
Leverage ratio			
22	Leverage ratio	8.83 %	9.06 %
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure		
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013		

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		CRR leverage ratio exposures	
		31.12.2017	31.12.2016
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	10,358,358	9,504,627
EU-2	Trading book exposures		
EU-3	Banking book exposures, of which:	10,358,358	9,504,627
EU-4	Covered bonds	39,244	41,592
EU-5	Exposures treated as sovereigns	1,742,064	1,651,362
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	2,671	1,933
EU-7	Institutions	30,697	33,375
EU-8	Secured by mortgages of immovable properties	5,585,622	4,963,506
EU-9	Retail exposures	1,164,262	1,139,536
EU-10	Corporate	1,004,238	924,375
EU-11	Exposures in default	48,507	48,669
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	741,052	700,279

Free format text boxes for disclosure on qualitative items

1	Description of the processes used to manage the risk of excessive leverage	The risk of excessive leverage is managed as part of the capital management process. The development of the leverage ratio is estimated based on the Group's business plan and stress scenarios. The expected development of the leverage ratio is taken into account when setting the target and threshold levels for capital adequacy.
2	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers 16.2.2016 L 39/12 Official Journal of the European Union EN	Loans and advances to customers grew relatively more than tier 1 capital resulting in a weakening of the leverage ratio.

NOTE 61: INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER REQUIREMENT

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

(EUR 1,000) 31.12.2017	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit risk exposures	Of which: Trading book exposures	Of which: Securiti-sation exposures	Total	Own funds requirement weights, %	Countercy-clical capital buffer rate, %
Breakdown by country												
Finland	9,276,951						339,251			339,251	92.9 %	0.000 %
Sweden	45,085						3,056			3,056	0.8 %	2.000 %
Norway	12,663						540			540	0.1 %	1.500 %
Island	17										0.0 %	1.250 %
.											0.0 %	.
Other	302,099						22,171			22,171	6.1 %	0.000 %
Total	**9,636,814**						**365,018**			**365,018**	**100.0 %**	

Amount of institution-specific countercyclical capital buffer

(EUR 1,000)	31.12.2017
Total risk exposure amount	
Institution specific countercyclical buffer rate, %	1.58 %
Institution specific countercyclical buffer requirement	81,790

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

(EUR 1,000) 31.12.2016	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit risk exposures	Of which: Trading book exposures	Of which: Securiti-sation exposures	Total	Own funds requirement weights, %	Countercy-clical capital buffer rate, %
Breakdown by country												
Finland	8,389,401						311,320			311,320	92.8 %	0.000 %
Sweden	47,325						3,002			3,002	0.9 %	1.500 %
Norway	9,665						547			547	0.2 %	1.500 %
											0.0 %	0.000 %
											0.0 %	0.000 %
Other	279,517						20,708			20,708	6.2 %	0.000 %
Total	**8,725,908**						**335,577**			**335,577**	**100.0 %**	

Amount of institution-specific countercyclical capital buffer

(EUR 1,000)	31.12.2016
Total risk exposure amount	
Institution specific countercyclical buffer rate, %	1.50 %
Institution specific countercyclical buffer requirement	72,082

NOTE 62: LIQUIDITY COVERAGE RATIO

LCR disclosure template on quantitative information of LCR

Amalgamation (EUR 1,000) 31.12.2017		Average	
Quarter ending on		31.12.2017	30.9.2017
Number of data points used in the calculation of averages		12	12
		Total adjusted value	
21	Liquidity buffer	1,055	1,029
22	Total net cash outflows	646	600
23	Liquidity coverage ratio (%)	165 %	173 %

Template on qualitative information on LCR

Concentration of funding and liquidity sources	The most significant source of funding for the Amalgamation is retail deposits. The most important sources of wholesale funding are bond issues under the Central Bank of Savings Banks Plc's EMTN programme and covered bond issues under the Sp Mortgage Bank Plc's Covered Bond programme.
Derivative exposures and potential collateral calls	Derivatives are used only for hedging purposes. Outflows from additional collateral needs due to a material deterioration in own credit quality or an adverse market scenario constituted less than 1 % of the Amalgamation's net liquidity outflows at the end of the year 2017.
Currency mismatch in the LCR	The Amalgamation's business is conducted in euros and there is no currency mismatch in LCR.
A description of the degree of centralisation of liquidity management and interaction between the group's units	The Central Bank of The Savings Banks is responsible for the Amalgamation's intraday and daily liquidity management and monitoring.
Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	The Amalgamation's outflows consist mainly of those due to retail deposits and non-operational deposits. Individual bonds issued by the Amalgamation may be large enough to significantly increase the Amalgamation's outflows when they mature. Inflows consist mainly of loan amortization and interest payments as well as maturing investments, but inflows are not large relative to outflows.

Table on qualitative/quantitative information of liquidity risk in accordance with Article 435(1) of Regulation (EU) 575/2013

Strategies and processes in the management of the liquidity risk	Liquidity risk is managed by ensuring that the Amalgamation's funding comes from stable sources such as retail deposits and long-term wholesale funding. In addition a variety of different funding sources are kept open so that they would be available in case of a liquidity crisis. Uncollateralized wholesale funding is done through Central Bank of Savings Banks, which issues both long-term bonds and short-term CD's and money market deposits to domestic and foreign institutional investors. Savings banks issue retail bonds that qualify as Tier 2 capital. Sp Mortgage Bank issues covered bonds, which are a natural funding tool for the Amalgamation given that the Amalgamation's loan book consists mainly of housing loans.
Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)	Central Bank of Savings Banks manages the Amalgamations payments. Central Bank's Treasury is responsible for the operational management of the Amalgamation's liquidity risk strategy on the Amalgamation level. Treasury is responsible for the operational upkeep and testing of the Amalgamation's liquidity contingency plan. Treasury is responsible for the daily management of the Amalgamation's liquidity buffer. To improve liquidity management in the Amalgamation the Savings Banks and Central Bank have signed an agreement on the use of liquid assets that ensures Treasury has no legal or practical impediments in using them. Treasury drafts the annual funding plan for the approval of the Board of Directors of the Central Institution. Central Bank's Asset and Liability Management unit drafts the Amalgamation's liquidity risk strategy and the liquidity contingency plan.
Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	The measuring and monitoring of liquidity risk is based on the Central Bank's treasury system, which holds data on a contractual level from the loan and deposit core systems as well as data on derivatives and the investment portfolio. Treasury system has the portfolio, organizational and limit structures necessary for the measurement of market, interest and liquidity risk.
A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy	The Board of Directors of the Central Institution assures that the liquidity risk management systems put in place are adequate with regard to the Amalgamation's profile and strategy.
A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy.	The Amalgamation's business is retail banking where deposits are used to fund loans to customers. Deposit funding is supplemented with wholesale funding, both collateralized and uncollateralized. The Amalgamation's liquidity buffer consists of extremely high quality liquid assets and the buffer's size is sufficient to cover a short-term liquidity crisis as well as a longer term wholesale market disruption.

Signatures of the Consolidated Financial Statement of Savings Banks' Group

We have adopted the Report of Board of Directors and the Consolidated Financial Statements of the Savings Banks' Group specified in the Act on the amalgamation of deposit banks the for the financial year ending 31 December 2017. The report and the Financial Statements are presented to the General Meeting of Savings Banks' Union Coop on 15th March 2018.

In Helsinki 14 February 2018

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

Kalevi Hilli
Chairman of the Board

Toivo Alarautalahti
Vice chairman of the Board

Pirkko Ahonen
Member of the Board

Sanna Ahonen
Member of the Board

Peter Finne
Member of the Board

Jussi Hakala
Member of the Board

Jan Korhonen
Member of the Board

Marja-Leena Tuomola
Member of the Board

Tomi Närhinen
Managing Director

Auditor's endorsement

Our auditor's report has been issued today.

Helsinki 14 February 2018.

KPMG Oy Ab

Petri Kettunen
Authorised Public Accountant

KPMG Oy Ab
Töölönlahdenkatu 3 A
PO Box 1037
00101 Helsinki, FINLAND

Telephone +358 20 760 3000
www.kpmg.fi

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

Auditor's Report

To the members of Savings Banks' Union Coop

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of amalgamation Savings Banks Group pursuant to the Act on the Amalgamation of Deposit Banks for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the Savings Banks Group are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 15 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

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

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

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

Valuation of receivables (loans and receivables from customers)
(Refer to notes 2, 3, 5 and 21 to the financial statements)

— Receivables from customers, totaling EUR 7 753 million, are the most significant item in the Savings Banks Group's consolidated balance sheet representing 68 percent of the total assets on 31 December 2017.

— Impairment losses on loans and receivables are recognized on an individual or collective basis. Impairments are assessed on an individual basis if the debtor's total exposure is significant. Otherwise impairments are assessed on collective basis.

— The valuation of receivables involves management judgements, especially in respect of the amount and timing of impairment losses.

— Due to the significance of the carrying amount involved, and the high level of judgment involved relating to impairment review, valuation of receivables is addressed as a key audit matter.

— We observed the impairment principles applied.

— Our audit procedures included testing of controls over determination and recording of impairment losses on loans.

— We requested other auditors of Savings Banks Group institutions to issue an opinion that the institutions within Savings Banks Group have complied with the instructions provided by Savings Banks Union Coop in respect of valuation of receivables.

— Furthermore, we considered the appropriateness of the notes on receivables and impairment losses.

Financial assets measured at fair value – measurement
(Refer to Notes 2, 3, 18, 23 and 40 to the financial statements)

— Financial assets measured at fair value represent 19 percent of the total assets. In the financial statements for 2017 financial assets measured at fair value comprise investment assets EUR 1, 176 million, life

— We assessed the appropriateness of the measurement principles applied by Savings Banks Group and the compliance with the applicable financial reporting standards.

insurance assets EUR 854 million, derivatives EUR 53 million and financial assets at fair value through profit and loss EUR 35 million.

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

— Our audit procedures included testing of controls around risk management and the valuation process of financial assets measured at fair value, among others.

— As part of our year-end audit procedures we considered the accuracy of the fair values determined for financial assets measured at fair value.

— We requested other auditors of Savings Banks Group institutions to issue an opinion that the institutions within Savings Banks Group have complied with the instructions provided by Savings Banks Union Coop in respect of valuation of financial assets.

— Finally, we considered the appropriateness of the notes on financial assets measured at fair value.

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

— The life insurance liability, totaling EUR 802 million, is a significant item in the Savings Banks Group's consolidated balance sheet. Determination of life insurance liability involves various calculation techniques and actuarial assumptions. The most significant assumptions relate to calculation techniques, mortality rate and development of interest rates.

— Our actuary specialist evaluated the appropriateness of the assumptions and methods used in determining life insurance liability by inspecting the technical bases applied and assessing the appropriateness of the calculation models to ensure the adequacy of liabilities for insurance policies, among others.

— Our audit procedures included the assessment of controls around the calculation process of life insurance liability.

— Furthermore, we considered the appropriateness of the notes on life insurance liabilities.

IT systems and related control environment

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

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting of Savings Banks' Union Coop on 13.3.2014, and our appointment represents a total period of uninterrupted engagement of 4 years.

Other Information

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

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

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

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

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

Helsinki 14 February 2018

KPMG OY AB

PETRI KETTUNEN
Petri Kettunen, Authorised Public Accountant, KHT

Savings Bank

POSTAL/VISITING ADDRESS: SAVINGS BANKS' UNION COOP | TEOLLISUUSKATU 33, 00510 HELSINKI | REGISTERED OFFICE: HELSINKI