SAVINGS BANKS GROUP'S

Board of Directors' Report and
Consolidated IFRS Financial Statements
31 December 2016

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

Savings Banks Group thrived during the year 2016. Success was achieved in all business areas in terms of growth, financial performance and investments. All parts of the Savings Banks Group operated strongly and achieved good results in strengthening the competitiveness of the Savings Banks.

We achieved a great deal in 2016: the new Savings Banks Group was being built and we also engaged in a lot of development work to bring new banking services and products to our customers. The Savings Banks Group's development centre, the Savings Bank Centre, started its operations. The Savings Banks Group strengthened its competitiveness and operations on the international financing market through the launch of its new mortgage bank, Sp Mortgage Bank Plc. Sp Mortgage Bank successfully issued a covered bond of EUR 500 million in November. With the emission, the Savings Banks Group has successfully strengthened its operating conditions through competitive fund-raising.

The business of Savings Banks and the Savings Banks Group progressed excellently according to long-term plans. Through the Group's growth strategy, the Savings Banks Group is to ensure capital adequacy by good financial performance and maintaining moderate risk positions. The balance sheet of the Savings Banks Group made a growth record of 13.4%. Loans and advances to customers grew by 10.0% and liabilities to customers grew by 3.5%. Debt securities issued were EUR 2.0 billion, and they almost doubled from the previous year. The Savings Banks Group's own capital strengthened very well in 2016, by 8.3%.

In 2016, the Savings Banks Group strengthened its customer satisfaction and in particular the grade of its customers for the customer experience in Savings Banks. The positive customer satisfaction results of Savings Banks confirm that, in the midst of rapid changes, the Savings Banks Group has succeeded in changing according to the wishes of its customers. Customers value the service they receive, and their satisfaction with the operations of Savings Banks is excellent. In 2017, the development of the competitiveness of the Savings Banks Group will be continued for the benefit of the customers, as well as the building of our operational prerequisites.

The Savings Banks Group has invested and will in the future significantly invest in the strengthening of its competitiveness, and, in particular, in the development of electronic services, while maintaining the current service network. Digital tools and digital banking play a key role in providing our customers with an opportunity to use all our services regardless of time and place in the future.

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

The Savings Banks Group and the Savings Banks Amalgamation

The Savings Banks Group (hereinafter also "the 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 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.

Sp Mortgage Bank Plc, a part of the Savings Banks Amalgamation founded by the Savings Banks, received authorisation from the European Central Bank to operate as a residential mortgage credit bank in March 2016, and the Bank's operations were started immediately. Sp Mortgage Bank Plc is responsible for Savings Banks Group's covered bond issuance. In November 2016, Sp Mortgage Bank issued a covered bond of EUR 500 million. The bond has a credit rating of AAA granted by S & P Global Ratings. Sp Mortgage Bank belongs to the Savings Banks Amalgamation and has been a member credit institution of the Savings Banks' Union Coop from March 2016. Only Savings Banks belonging to the Savings Banks Amalgamation can act as intermediary banks for Sp Mortgage Bank.

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

During 2016, a number of politically important changes were seen. The exit of Great Britain from EU membership by a referendum was a continuation of the recurrent political crises in the union. The presidential elections in the United States were another significant change, whose effects on world trade and geopolitics will be seen in the coming years. Despite the significant changes, the investment markets continued to believe in the strong recovery of the economy, and in the second half of the year, the recovery of the global economy continued well with regard to the expectations. A significant factor from the point of view of the global economy was the improvement of the situation in China as a result of recovery measures.

In Europe, the growth outlook was fragmented, and the differences between countries were significant. The slow progress of the structural changes and the difficulties within the banking sector, for their part, influenced the speed of recovery in the economy. In particular, the uncertainty of the impact of the voting result of Great Britain slowed down the investment growth, but the improvement in the employment situation and the positive development in the services sector maintained the positive figures. In the United States, the situation in the labour market has improved for a number of years, and this development also continued during 2016. The low growth in industrial investments, for its part, put pressure on the growth figures, but the oil price increase seen at the end of the year also contributed positively to expectations regarding the development of investment demand.

Investment markets

In the investment market, the year 2016 started weakly, but investment income recovered significantly towards the end of the year. The exception was government bond investments. From the point of view of the fixed income market the most significant change was the gradual decrease in the monetary easing by the Central Banks. In the last quarter of the year, this led to an increase in long interest rates and the steepening of the interest rate curve. This had, for its part, a positive impact on the profits of the banking sector. The increase in the key reference rates will take place over a long period, and the shutdowns of recovery programmes will take years. The outlook on improvement of corporate profits supported the stock market, and the investor confidence remained strong despite the increase in interest rates. The positive development in the stock market was also reflected in the corporate debt markets. The recovery in the United States economy led to the strengthening of the dollar towards the end of the year, which had a negative impact on the performance in investments in emerging markets.

The Finnish economy

The development of economic growth in Finland has been weaker than in other parts of Europe. The export driven economy has suffered from the slow growth of the global economy and lack of investments. However, the recovery that began in 2016 has provided confidence in a better future. Unemployment has decreased, and the household confidence has improved significantly. Growth in private consumption and the low interest rates support the purchasing power of households. The outlook in the industry has also recovered, but industrial production is still at a low level.

The housing market in Finland

The housing market in the year 2016 already involved optimism concerning the recovery of the economy. The year was considerably more stable than the two preceding years, and the fluctuations within the year were more normal. As a whole, the second-hand market in housing rose by approximately 3 %, which in Finland meant total trades of 58,000 in 2016. The trades in new apartments picked up clearly, being up to 28% more active than in 2015.

A slight increase took place in the prices of apartments, if the housing market is examined as whole. However, divergence in the markets continued. This means that housing prices continued to decline in recessive markets subject to population loss. Large growth centres and vital urban areas in developing cities continued to be the winners. The selling periods also remained at the level of the previous year; the average being approximately 70 days.

The most significant positive drivers for the housing trade were affordable loans and the improvement of their availability, as well as the slight recovery in consumer confidence. In addition, a clear change for the better took place in construction operations.

Savings Banks Group's profit and balance sheet

Savings Banks Group's financial highlights (EUR 1,000)	1-12/2016	1-12/2015	1-12/2014 *	1-12/2013 *
Revenue	304,340	298,475	295,628	271,235
Net interest income	131,693	125,018	122,022	110,612
% of revenue	43.3 %	41.9 %	41.3 %	40.8 %
Profit before taxes	69,603	69,699	63,137	71,074
% of revenue	22.9 %	23.4 %	21.4 %	26.2 %
Total operating revenue	245,376	230,531	223,903	224,841
Total operating expenses (excluding depreciations)	-158,060	-146,128	-143,763	-140,619
Cost to income ratio	64.4 %	63.4 %	64.2 %	62.5 %
Total assets	10,423,646	9,189,391	8,400,544	7,717,389
Total equity	953,402	880,694	841,230	781,086
Return on equity %	6.2 %	6.7 %	5.7 %	8.9 %
Return on assets %	0.6 %	0.7 %	0.6 %	0.9 %
Equity/assets ratio %	9.1 %	9.6 %	10.0 %	10.1 %
Solvency ratio %	19.5 %	18.8 %	18.6 %	19.5 %
Impairment losses on loans and other receivables	-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 –12/2015)

Savings Banks Group's profit before tax stood at EUR 69.6 million (EUR 69.7 million), in other words, at the level of the comparison year. Profit for the financial year was EUR 57.2 million, of which the share of the owners of the Savings Banks Group was EUR 56.4 million (EUR 56.1 million).

The total operating revenue of the Savings Banks Group grew to EUR 245.4 million (EUR 230.5 million). There was growth in net interest income, net fee and commission income and other operating revenue.

Net interest income grew by 5.3% to EUR 131.7 million (EUR 125.0 million). The share of derivatives used for the management of interest rate risks of net interest income was EUR 21.3 million (EUR 22.0 million), i.e., 16.2% of net interest income (17.6%). 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 access of the Savings Banks Group to the international capital markets through the Central Bank of Savings Bank's unsecured bond issues and Sp Mortgage Bank's covered bond issues. In addition, net interest income was improved by the interest income from the launched card operations at the end of 2015, EUR 4.4 million (EUR 0.4 million). The issuance of payment cards was transferred in December 2015 to the Savings Banks Group. In the same context, the Savings Banks Group bought its customers' credit card portfolio from Nets Oy that had previously granted the credit cards.

Net fee and commission income grew by 3.7% to EUR 71.4 million (EUR 68.8 million). In particular, fees received from funds and the card business experienced growth. Also other fees related to credit granting grew sligthtly with volume growth. Fees received from payment transactions fell from the comparison year.

Net investment income totalled EUR 17.8 million (EUR 20.5 million), i.e., it was 13.2% lower 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 11.8 million (EUR 15.2 million). Premiums written decreased by 7.4% year-on-year. Net investment income also fell by 4.4%, being EUR 33.1 million (EUR 34.6 million).

Other operating revenue, EUR 12.7 million, includes EUR 8.0 million of income related to the Visa Europe trade. At the end of 2015, the Board of Directors of Visa Europe agreed to sell the company to United States Visa Inc. in accordance with the authorisation from the company's owners, provided that the necessary authorities' permissions are received. The necessary authorisations were obtained during the spring and early summer, the last one being the approval from the EU competition authorities in June 2016. The division of the selling price between the owners was secured towards the end of 2016.

Operating expenses grew in their entirety by 7.6% to EUR 168.8 million (EUR 156.9 million). Personnel expenses increased by 7.8% to EUR 76.1 million (EUR 70.6 million). The average amount of the total resources of the Savings Banks Group in the financial year grew correspondingly by 5.1%, being 1,250 person-years in the financial year 2016. Other administrative expenses grew by 10.6%, being 63.0 million (56.9 million). The growth is significantly explained by the expenses related to the card operations. The issuance of credit cards was transferred in December 2015 to the Savings Banks Group, due to which the comparison year did not yet include similar expense items. Other operating expenses showed growth particularly in rental expenses.

The Group's cost to income ratio was 64.4% (63.4%). The cost to income ratio has been calculated without the impact of depreciation of property, plant and equipment and intangible assets.

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets stood at EUR 10.7 million (EUR 10.7 million) 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 8.4 million (EUR 6.1 million) which is 0.12% (0.10%) of the loan portfolio. Non-performing receivables remained at the level of the comparison year, and amounted to 0.95% of the loan portfolio (0.94%).

The Group's effective income tax rate was 17.8% (17.3%).

Balance sheet and funding
(comparison figures 31 December 2015)

The balance sheet of the Savings Banks Group totalled EUR 10.4 billion at the end of 2016 (EUR 9.2 billion), representing growth of 13.4%. The Group's return on assets was 0.6% (0.7%).

Loans and advances to customers amounted to EUR 6.9 billion (EUR 6.3 billion), growing by 10.0% year-on-year. A large part of the growth, approximately 4.0%, was due to the transfers of loans intermediated by Savings Banks from Aktia Real Estate Mortgage Bank Plc to Savings Banks Group's own balance sheet during the spring of 2016. Loans and advances to credit institutions amounted to EUR 20.9 million (EUR 74.5 million), showing a decrease of 72.0%. The Savings Banks Group's investment assets stood at EUR 1.3 billion (EUR 1.3 billion), and grew by 2.8%. Life insurance assets amounted to EUR 708.4 million (EUR 581.9 million), showing growth of 21.7%.

Liabilities to customers amounted to EUR 6.1 billion (EUR 5.9 billion); representing a year-on-year growth of 3.5%. Liabilities to credit institutions stood at EUR 227.0 million (EUR 351.2 million), decreasing by 35.4%. Debt securities issued stood at EUR 2.0 billion (EUR 1.0 billion). Sp Mortgage Bank belonging to the Savings Banks Group successfully issued a covered bond of EUR 500 million in November. In addition, the Central Bank of Savings Banks Finland Plc issued a total of EUR 524.0 million of bonds and private placement loans in the financial year. Life insurance liabilities amounted to EUR 664.3 million (EUR 544.2 million), growing by 22.1%.

The Savings Banks Group's equity stood at EUR 953.4 million (EUR 880.7 million), showing an increase of 8.3%. The share of non-controlling interests of the equity was EUR 24.0 million (EUR 22.5 million). The Group's growth of equity is mainly explained by the profit of the financial year and the change in fair value recorded in other comprehensive income, which was EUR 17.1 million in the financial year. The impact of cash flow hedging on equity was EUR 0.3 million. During the financial year, other comprehensive income after tax totalled EUR 17.1 million (EUR -15.1 million). The Group's return on equity was 6.2% (6.7%).

Capital adequacy and risk position

Capital adequacy (comparison figures 31 December 2015)

At the end of 2016, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 936,6 million (EUR 874.3 million), of which CET1 capital accounted for EUR 887.9 million (EUR 824.5 million). The growth in CET1 capital was due to the profit for the financial year. Tier 2 (T2) capital accounted for EUR 48,7 million (EUR 49.7 million), which consisted of debentures in the financial year.

Risk-weighted assets amounted to EUR 4,805.4million (EUR 4,643.7 million), i.e., they were 3.5% 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 19.5% (18.8%) and the CET1 capital ratio was 18.5% (17.8%).

At the beginning of 2015, the capital requirement on banks be¬came higher as Finland adopted the capital conservation buffer and the countercyclical capital buffer. The capital conservation buffer increased the capital adequacy requirement from 8% to 10.5% when calculated on the basis of risk-weighted assets. The countercyclical capital buffer will vary between 0% and 2.5%. The decision on the adoption and percentage of the countercyclical capital buffer is made quarterly by the Board of the Financial Supervisory Authority on the basis of its macroprudential analysis. In 2016, the Financial Supervisory Authority did not set a countercyclical capital buffer requirement for Finnish 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)	31.12.2016	31.12.2015
Common Equity Tier 1 (CET1) capital before regulatory adjustments	915,685	849,784
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-27,835	-25,252
Common Equity Tier 1 (CET1) capital	**887,850**	**824,531**
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)	**887 ,850**	**824,531**
Tier 2 (T2) capital before regulatory adjustments	48,717	44,776
Total regulatory adjustments to Tier 2 (T2) capital	0	4,956
Tier 2 (T2) capital	**48,717**	**49,732**
Total capital (TC = T1 + T2)	**936,567**	**874,263**
Risk weighted assets	**4,805,436**	**4,643,728**
of which: credit and counterparty risk	4,250,278	4,097,876
of which: credit valuation adjustment (CVA)	98,561	104,611
of which: market risk	35,147	47,483
of which: operational risk	421,450	393,759
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.5 %	17.8 %
Tier 1 (as a percentage of total risk exposure amount)	18.5 %	17.8 %
Total capital (as a percentage of total risk exposure amount)	19.5 %	18.8 %
Capital requirement		
Total capital	936,567	874,263
Capital requirement total*	504,571	487,591
Capital buffer	431,996	386,672

*The capital requirement of 10.5% is formed by the statutory minimum capital adequacy requirement of 8%, the capital conservation buffer of 2.5% according to the Act on Credit Institutions, and the country-specific countercyclical capital requirements of foreign exposures.

Leverage ratio

The Savings Banks Amalgamation's leverage ratio was 9.1% (9.2%). 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.

(EUR 1,000)	31.12.2016	31.12.2015
Tier 1 capital	887,850	824,531
Total leverage ratio exposures	9,801,832	8,946,523
Leverage ratio	9.1 %	9.2 %

Supervision by the Financial Supervisory Authority

The Savings Banks Amalgamation is under the direct supervision of the Financial Supervisory Authority. The Financial Supervisory Authority set in December 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) related to the process. The discretionary capital conservation buffer is 0.5% in size, and it shall be filled with CET1 capital. The discretionary capital conservation buffer will enter into force on 30 June 2017.

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), which created a resolution plan for the Savings Banks Amalgamation in the early year 2017. As part of the resolution plan, at the Amalgamation level a requirement will be set on the amount of own funds and deductible liabilities (MREL requirement), and it will enter into force on 31 December 2017. The requirement will not be directed at the member credit institutions, but the member credit institution-specific requirement will be assessed again in 2018. The MREL requirement is in nature a Pillar 2 -type minimum requirement, which must be fulfilled continuously.

Risk position

Risk management and internal control of the Savings Banks Group is a part of the internal control framework applied within the Group and the Amalgamation. It is also at the core of the Group's operational activities. 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.

Credit ratings

S & P Global Ratings confirmed in November the long-term credit rating of 'BBB+' for Central Bank of Savings Banks Finland Plc belonging to the Savings Banks Group and the short-term credit rating of ('A-2'). S&P lifted the outlook for Central Bank of Savings Banks Finland Plc to be positive from the previous outlook of stable. The previous credit rating assessment by S&P was made in May 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 2016.

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 2016, the following persons have been members of the Board of Directors:

Jussi Hakala, chairman (Liedon Säästöpankki)

Matti Saustila, deputy chairman (Eurajoen Säästöpankki)

Pirkko Ahonen (Aito Säästöpankki Oy)

Toivo Alarautalahti (Huittisten Säästöpankki)

Hans Bondèn (Närpiön Säästöpankki Oy)

Kalevi Hilli (Säästöpankki Optia)

Hanna Kivelä (independent of Savings Banks)

Jan Korhonen (Suomenniemen Säästöpankki)

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 16 March 2017.

The Managing Director of the Savings Banks' Union Coop is Pasi Kämäri.

At the annual General Meeting of the Savings Banks' Union Coop cooperative on 17 March 2016, 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

At Savings Banks Group, every employee is an expert of their own work. That is why the Group strongly invests in the development of the continuous expertise of personnel. To support the development of expertise, an internal Academy has been established in the Savings Banks Group, which ensures the continuous development of the know-how of the Group's personnel. During the year, the Academy built learning paths for different roles, and organised training events supporting these. During the year, there were 156 internal training events, and approximately 5,500 people participated in them. The number of participants grew significantly compared to the previous year.

In 2016, a uniform management image was built for the Savings Banks Group, which creates a strong basis and clear objectives for the development of supervisory work and management. To support good personnel management and know-how, the Group also introduced a new personnel management information system.

The number of the Savings Banks Group personnel at the end of 2016 was 1,270, while at the end of 2015, 1,230 persons worked in the Group. Converted into total resources, personnel volumes were an average of 1,250 in the financial year. (2015: 1,189). As in the previous year, women accounted for 77% and men for 23% of all employees. There was no change in the average age (44) of personnel. Overall turnover of personnel was 3.9% (4.7%).

Social responsibility

Right from the start, when the first Savings Bank was established in Finland in 1822, the concept of responsibility has played a part in the operation of the Group. In line with the Savings Bank ideal, the basic mission of Savings Banks has been to help the hard-working 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 can be seen in the bank's attitude towards its customers, its partners, its operating sphere, the authorities, the environment as well as 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

Savings Banks do not operate on the principle of fast short-term profits or with a view to exploiting their customers' circumstances. Savings Banks base their operation on their efforts to promote their customers' personal wealth accumulation and financial management. 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 2016, Savings Banks made financial contributions to work with children and young people, war veterans, the elderly, junior sport as well as other leisure activities. Contributions were made to over hundred targets. 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 2016.

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 accountability, 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 well-being 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 2016, we paid EUR 13.2 million in income taxes. The Group employs over 1,270 financial and service industry professionals around the country. Through its presence on the various committees of the Federation of Finnish Financial Services, the Group contributes actively to the development of the Finnish banking sector.

Environmental responsibility

As an accountable Savings Banks Group, the Group also feels a responsibility for the environment. Business travel and meetings are replaced with telephone and video conferencing. Unnecessary paper use is reduced and eco-friendly alternatives are favoured.

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 2016, 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 2016, 11,200 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.

To ensure excellent customer experiences, a continuous survey measuring the quality of customer negotiations was started during 2016. More than 10,000 customers provided feedback during the year. The customer recommendation index is a key indicator of success for the Savings Banks Group.

Trend in customer numbers

At the end of 2016, Savings Banks had more than 470,700 customers. Some 28,000 new customer accounts were opened during the year, most of them for families with children. During the year, the customer portfolio was reviewed, and such services were discontinued that had not been used in three years. As a result, the number of customers remained almost unchanged, as there was growth from the previous year of 0.1%. Private customers accounted for 88% of the entire customer base.

In the past year, apart from acquiring new customers, Savings Banks have focused on maintaining current customer relationships: in 2016, the Savings Banks' customer service personnel met with just under 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 72,000 customers in 2016. Through this service, the customer's current and future banking needs were extensively reviewed.

In 2016, 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 11%.

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 2016. In the study on brand valuation of Markkinointi&Mainonta magazine and Taloustutkimus Oy in 2016, the Savings Banks brand rose to be the third most valued bank.

The use of the mobile application grows fast

The use of the Sp-mobile application published in 2015 continued its strong growth in 2016 among both personal and corporate customers. The number of application users doubled during 2016. The development will probably continue in the same direction in 2017 with the development of the Sp-mobile and the changes in customer behaviour.

School of economics for the customers of Savings Banks and other banks

In the spring of 2016, Savings Banks launched a School of economics, which offers its members tips and guidelines for the management of finances and the accumulation of wealth. Customers of Savings Banks and other banks may join the School of economics. The first guide was a guide of Housing investment, which received a lot of positive feedback from the members of the School of economics. At the end of 2016, the School of economics had 92,500 members.

The use of payment cards is becoming diversified

The contactless payment launched in December 2015 increased its popularity among Savings Banks' customers' card payments throughout the year. During 2016, new additional services for payment cards were developed for customers.

TalletusOtto automatons were taken into use for the Savings Banks' cards in the spring. At the same time, cooperation with the K-Group was begun in terms of withdrawals of cash from K-grocery stores and Neste K -traffic stations. Savings Banks' customers found both services quickly during the summer, and their use is constantly growing. The image gallery of payment cards was also renewed in the summer. The national treasures now travel in the customers' wallets as art works and aphorisms. Savings Banks' customers enjoy the opportunity to personalise card payments, and besides gallery photographs, images of the family, hobbies and dreams are popular.

Launch of Sp-Mortgage Bank functions

Sp Mortgage Bank Plc received an authorisation to operate as a mortgage credit bank, granted by the European Central Bank, on 21 March 2016, and the Bank's operations were started immediately on 29 March 2016. Sp Mortgage Bank was the first Finnish bank which applied for and received its authorisation from the European Central Bank.

Sp Mortgage Bank does not have its own customer business operations or 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.

The role of Sp Mortgage Bank is, together with the Central Bank of Savings Banks Finland Plc, to be responsible for obtaining funding for the Savings Banks Group from money and capital markets. Sp Mortgage Bank is responsible for Savings Banks Group's covered bond issuance.

To fulfil its aforementioned task, Sp Mortgage Bank established a programme of EUR 3 billion of covered bonds in November. Within this framework, the Bank issued a covered bond of EUR 500 million. S & P Global Ratings granted 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 savings banks, which produces various central credit institution services for savings banks. The Central Bank of Savings Banks Finland Plc's services are focused on payment transactions and account management services, issue services for the payment cards of the Amalgamation, and liquidity management, refinancing and asset and liability management.

During 2016, the focus of the refinancing of Central Bank of Savings Banks was on ensuring the refinancing of the Amalgamation banks, and on ensuring the mezzanine financing for Sp Mortgage Bank Plc. During the financial year, Central Bank of Savings Banks issued two-year senior unsecured bonds with a total value of EUR 524 million under the EMTN programme listed on the Irish Stock Exchange, of which 250 million were through a public two-year emission in January 2016.

In November, S&P Global Ratings confirmed that the credit rating of Central Bank of Savings Banks is to remain in the category of 'BBB+'. The short-term credit rating remained at the level of 'A-2'. The outlook changed from stable to positive.

With regard to its other operations, Central Bank of Savings Banks has continued the maintenance and development of its central credit institution services according to its strategy and plans during the year of operations. The Amalgamation's centralised asset and liability management operations were established in Central Bank of Savings Banks in June 2016. As part of the Savings Banks Group's strategic objectives, the transfer of the account management operations within the Group from Nooa Savings Bank Ltd to Central Bank of Savings Banks was implemented in October 2016. Central Bank of Savings Banks is centrally responsible for the management of the book-entry accounts of the customers of the Savings Banks, the clearing of securities trades, return payments and the processing of company events. Euroclear Finland Oy granted the necessary authorisations for the operations of the Central Bank of Savings Banks as of 10 October 2016.

Savings Banks sold their shares in Aktia Real Estate Mortgage Bank

In September 2012, the operations of Aktia Real Estate Mortgage Bank Plc were restricted by the decision of the Board of Directors of Aktia Real Estate Mortgage Bank Plc to control and refinance existing residential mortgage loans. In October 2015, the Savings Banks Group agreed on the selling of the minority share of Aktia Real Estate Mortgage Bank Plc to Aktia Bank and the merging of Aktia Real Estate Mortgage Bank Plc with Aktia Bank. The Savings Banks Group sold its holdings in the company to Aktia Bank in September 2016. The transaction did not have a significant effect on the Savings Banks Group's profit. The loan portfolio of the Savings Banks intermediated to Aktia Real Estate Mortgage Bank Plc will be transferred through loan portfolio repurchases to Savings Banks Group.

Financial performance (comparative figures 1 –12/2015)

Profit before tax of Banking operations stood at EUR 50.0 million (EUR 52.8 million). Net interest income stood at EUR 131.7 million (EUR 125.0 million), representing growth of 5.3%. Net fee and commission income were EUR 51.3 million (EUR 49.5 million), which represented growth of 3.6%. Net investment income was EUR 19.1 million (EUR 19.8 million). Net investment income is largely made up of realised capital gains on available-for-sale financial assets. Other operating revenue amounted to EUR 12.2 million (EUR 8.4 million). Other operating revenue includes non-recurring items both in the financial year and in the comparison year. Other operating revenue included EUR 8.0 million of income related to the Visa Europe trade. In the comparison year, other operating revenue included EUR 6.2 million in capital recovery from the Savings Banks' Guarantee Fund. Savings Banks' Guarantee Fund discontinued its operations according to plan in the spring of 2015.

Personnel expenses grew by 6.0%, being EUR 63.5 million (EUR 59.9 million). The number of personnel in the Banking operations segment was 1,076 (1,104) at the end of the financial year. Other operating expenses grew by 11.3% to EUR 82.9 million (EUR 74.5 million).

The balance sheet for banking operations amounted to EUR 9.6 billion (EUR 8.5 billion), representing a growth of 13.8%. The growth of the balance sheet was boosted by the issues implemented by Central Bank of Savings Banks Finland Plc under the EMTN programme, and the first issue of the covered bond by Sp Mortgage Bank Plc, which increased the balance sheet of the segment by 1.0 billion. Liabilities to credit institutions fell to EUR 227.0 million (EUR 351.2 million). Liabilities to customers, in turn, increased by 3.5% to EUR 6.1 billion (EUR 5.9 billion).

Loans and advances to customers grew by 10.0% to EUR 6.9 billion (EUR 6.3 billion). Of the growth, approximately 4.0 percentage points is explained by the transfers of loans intermediated by Savings Banks to Aktia Real Estate Mortgage Bank Plc to the balance sheets of Savings Banks and Sp Mortgage Bank during 2016. A total of EUR 162.3 million of residential mortgage loans intermediated by Savings Banks were at Aktia Real Estate Mortgage Bank Plc at the end of the financial year. The loan portfolio will be transferred through loan portfolio repurchases to Savings Banks Group. Loans and receivables from credit institutions amounted to EUR 20.9 million (EUR 74.5 million).

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 i nvestment f und 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 1.9 billion (EUR 1.6 billion) at the end of the year, representing a growth of 19.2% on the previous year. Taking into account the assets managed in accordance with asset management agreements, the total assets managed amounted to EUR 2.1 billion (EUR 1.7 billion).

The number of fund unit holders grew by 12.2% and was 159,968 unit holders (142,606 unit holders) at the end of the financial year.

The Savings Banks Group fund management company managed 19 investment funds at the end of 2016. During the financial period, one new investment fund was brought to the market, Säästöpankki Kiinteistöosake Eurooppa, which started its operations in May. Säästöpankki Kiinteistöosake Eurooppa invests its funds mainly in European real estate and housing markets. The investments of the fund are implemented either through direct stock investments or investment funds meeting the preconditions of the investment fund directive and UCITS.

Net subscriptions to the Savings Bank investment funds were a total of EUR 202.4 million during 2016. With this amount, the Group's investment fund was the fifth largest of the 28 Finnish investment fund companies.

At the end of 2016, the largest of the Savings Banks investment funds was Säästöpankki Korko Plus investment fund with capitals of EUR 448.9 million. With 32,618 unit holders, the invest- ment fund was also the largest in terms of the number of unit holders. Savings Banks collected most of the new capital from the Säästöpankki Lyhytkorko investment fund, whose net subscriptions were EUR 114.3 million.

Life insurance savings were EUR 643.2 million (EUR 530.5 million) at the end of the year, representing a growth of 21.1%. Unit-linked insurance savings were EUR 516,5 million at the end of the year (EUR 397.1 million), growing by 30.1%. Life insurance premium income was EUR 138.0 million (EUR 148.8 million), representing a decline of 7.3%. EUR 38.8 million was paid out in claims (EUR 25.0 million), which shows a year-on-year growth of 55.3%. The compensation also includes surrenders.

The year 2016 was challenging in the life insurance business.

Premium income fell in the industry on average 30%, and this was seen particularly strongly in the savings products segment of personal customers. With regard to Sb Life insurance, the weakened demand for savings products decreased the premium income by 8.1%. The premium income of risk life insurance developed positively by 7.3% compared to the previous year.

Financial performance (comparison figures 1–12/2015)

Profit before tax for the Asset Management and Life Insurance segment was EUR 21.0 million (EUR 22.3 million).

The net income from life insurance activities amounted to EUR 11.8 million (EUR 15.7 million), and they declined by 24.9%. The net investment income of life insurance was EUR 33.1 million (EUR 34.6 million). In the comparison year, life insurance net investment income grew, among other things, due to the realisation of available-for-sale financial assets as a result of changing the asset manager.

Net fee and commission income was EUR 21,3 million (EUR 18.9 million), which meant 12,8 % of growth. The amount of net fee and commission income rose especially due to increases in customer assets and managed capital.

Other operating expenses declined by 1.5% to EUR 12.1 million (EUR 12.3 million). Personnel expenses were at the same level as on comparison year being 5.7 million (EUR 5.7 million). The number of segment personnel at the end of the financial year was 79 (72). Other operating expenses amounted to EUR 4.9 million (EUR 5.0 million).

The asset management and life insurance segments' balance sheet grew during the financial year by 24.3%, being EUR 715.0 million (EUR 589.6 million).

Other functions

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

The franchising company Sp-Koti Oy, focusing on real estate agency business, grew clearly more than the housing market, while the turnover grew by 19.6% and the trades grew by 12.6%. In the housing market, the number of trades implemented by real estate agency businesses on second-hand housing grew by approximately 3%. In the companies 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.

In 2016, Sp-Koti included 32 companies (2015: 35 companies), 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.

An electronic hint system was introduced from the beginning of March between the chain and the Savings Banks. In addition, a renewed franchising agreement and the Entrepreneur's Manual were introduced in January. With the new agreement, a pricing change was made for the franchising concept, which will improve the profitability in the future.

A continued development project of business models was launched in December, and the project will be completed in Q1/2017. Different business models in the future will enable faster growth in a fiercer competitive situation in a number of localities.

Material events after the closing date

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

Outlook for 2017

Outlook for the operational environment

During 2017, the positive development in the labour market will continue, and the outlook in the industry will also improve. The structural reforms driven by the Government have progressed more slowly than expected and, as a result, the sufficiency of the measures can be called into question. The employment targets set by the Government will not be achieved. To support economic growth, additional measures to improve the functionality of the employment market should be examined to drive the structural reforms further.

The year 2017 will be coloured by political risks in Europe. At the same time, the new US President will launch the changes presented in the election programme. These factors will cause uncertainty in the investment markets, but the positive development in the economy will continue next year. This will have a stabilising impact on the investment markets.

The great debt burden in the Chinese national economy and the slowdown of economic growth will be, for their part, significant risk factors in the coming years. Significant risks are still connected to the growth outlook in the emerging markets, but the recovery of the raw material prices and the economic growth experienced in the Western countries are stabilising factors. Global economic growth will recover close to a 3 % level during next year, and the most significant positive impact will be the development of the economy in the United States.

Business outlook

The low level of market interests will still challenge the economic performance in 2017. However, the low interest rates will not jeopardise the performance or capital adequacy of the Savings Banks Amalgamation. The Savings Banks Group is solvent and the risk position of the Group is moderate.

In 2017, 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 2017, 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 profit before tax is estimated to be almost at the same level as in 2016. 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 impairments.

Further information:

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

SAVINGS BANKS GROUP'S CONSOLIDATED IFRS FINANCIAL STATEMENTS

Savings Banks Group's income statement

(EUR 1,000)	Note	1-12/2016	1-12/2015
Interest income		180,663	182,812
Interest expense		-48,970	-57,794
Net interest income	**7**	**131,693**	**125,018**
Net fee and commission income	8	71,428	68,850
Net trading income	9	-56	-1,350
Net investment income	10	17,809	20,526
Net life insurance income	11	11,810	15,178
Other operating revenue	13	12,692	2,309
Total operating revenue		**245,376**	**230,531**
Personnel expenses	14	-76,117	-70,632
Other operating expenses	15	-81,944	-75,496
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	16	-10,732	-10,737
Total operating expenses		**-168,792**	**-156,865**
Net impairment loss on financial assets	21	-8,411	-6,127
Associate's share of profits	25	1,430	2,160
Profit before tax		**69,603**	**69,699**
Taxes	17	-12,406	-12,080
Profit		**57,197**	**57,619**
Profit attributable to:			
Equity holders of the Group		56,361	56,135
Non-controlling interests		835	1,484
Total		**57,197**	**57,619**

Savings Banks Group's statement of comprehensive income

(EUR 1,000)	1-12/2016	1-12/2015
Profit	**57,197**	**57,619**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit obligation	-194	621
Total	**-194**	**621**
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	17,057	-14,761
Cash flow hedges	254	-985
Share of other comprehensive income of associates	0	68
Total	**17,312**	**-15,678**
Total comprehensive income	**74,315**	**42,562**
Attributable to:		
Equity holders of the Group	72,796	42,821
Non-controlling interests	1,519	-259
Total	**74,315**	**42,562**

Savings Banks Group's statement of financial position

(EUR 1,000)	Note	31.12.2016	31.12.2015
Assets			
Cash and cash equivalents	19	1,100,784	546,340
Financial assets at fair value through profit or loss	20	118,055	162,234
Loans and advances to credit institutions	21	20,855	74,522
Loans and advances to customers	21	6,942,744	6,312,589
Derivatives	22	72,024	70,845
Investment assets	23	1,306,780	1,270,588
Life insurance assets	24	708,374	581,866
Investments in associates	25	7,086	45,731
Property, plant and equipment	26	56,711	54,029
Intangible assets	27	22,137	19,129
Tax assets	28	3,977	3,313
Other assets	29	64,119	48,202
Total assets		**10,423,646**	**9,189,391**
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss	30	108,595	144,071
Liabilities to credit institutions	31	227,049	351,241
Liabilities to customers	31	6,121,627	5,914,898
Derivatives	22	2,289	1,588
Debt securities issued	32	2,049,588	1,042,238
Life insurance liabilities	33	664,327	544,236
Subordinated liabilities	34	121,735	146,336
Tax liabilities	28	66,403	62,122
Provisions and other liabilities	35	108,631	101,967
Total liabilities		**9,470,245**	**8,308,697**
Equity			
Basic capital	36	20,338	20,338
Reserves	36	291,361	267,766
Retained earnings	36	617,709	570,131
Total equity attributable to equity holders of the Group	**36**	**929,408**	**858,235**
Non-controlling interests	36	23,994	22,458
Total equity		**953,402**	**880,694**
Total liabilities and equity		**10,423,646**	**9,189,391**

Savings Banks Group's statement of cash flows

(EUR 1,000)	1-12/2016	1-12/2015
Cash flows from operating activities		
Profit	57,197	57,619
Adjustments for items without cash flow effect	10,938	17,169
Income taxes paid	-13,158	-16,448
Cash flows from operating activities before changes in assets and liabilities	**54,976**	**58,340**
Increase (-) or decrease (+) in operating assets	**-763,777**	**-762,909**
Financial assets at fair value through profit or loss	9,021	2,572
Loans and advances to credit institutions	6,351	137,866
Loans and advances to customers	-638,453	-670,230
Available-for-sale financial assets	-19,836	-72,548
Increase in held-to-maturity financial assets	-383	-26,907
Decrease in held-to-maturity financial assets	2,488	6,400
Life insurance assets	-105,465	-140,577
Other assets	-17,500	515
Increase (-) or decrease (+) in operating liabilities	**1,217,963**	**768,192**
Liabilities to credit institutions	-124,192	-97,163
Liabilities to customers	212,167	120,681
Debt securities issued	1,001,904	594,955
Life insurance liabilities	120,091	139,594
Other liabilities	7,993	10,125
Total cash flows from operating activities	**509,162**	**63,623**
Cash flows from investing activities		
Other investments	40,980	-763
Investments in investment property and property, plant and equipment and intangible assets	-19,765	-13,646
Disposals of investment property and property, plant and equipment and intangible assets	3,203	1,542
Total cash flows from investing activities	**24,418**	**-12,867**
Cash flows from financing activities		
Increase in subordinated liabilities	15,461	19,473
Decrease in subordinated liabilities	-40,089	-42,880
Distribution of profits	-1,826	-1,602
Total cash flows from financing activities	**-26,453**	**-25,009**

Adjustments for items without cash flow effect		
Impairment losses on financial assets	8,933	6,300
Changes in fair value	-2,122	536
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12,985	13,110
Effect of associates on profit	-1,430	-2,160
Adjustments for life insurance operations	-19,662	-12,744
Gain or loss on sale of investment property and property, plant and equipment and intangible assets	-173	47
Income taxes	12,406	12,080
Total Adjustments for items without cash flow effect	**10,938**	**17,169**

Change in cash and cash equivalents	**507,127**	**25,747**

Cash and cash equivalents at the beginning of the period	**610,489**	**584,742**
Cash and cash equivalents at the end of the period	**1,117,616**	**610,489**

Cash and cash equivalents comprise the following items:		
Cash	1,100,784	546,340
Receivables from central banks repayable on demand	16,832	64,149
Total cash and cash equivalents	**1,117,616**	**610,489**

Interest received	191,955	182,569
Interest paid	65,832	60,390
Dividends received	2,644	2,727

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 2015	**10,343**	**13,003**	**34,475**	**35,540**	**4,568**	**68,381**	**136,158**	**292,125**	**511,630**	**814,099**	**27,132**	**841,230**
Comprehensive income												
Profit									56,135	56,135	1,484	57,619
Other comprehensive income				-13,018	-917			-13,935	621	-13,314	-1,743	-15,057
Total comprehensive income		**0**	**0**	**-13,018**	**-917**	**0**	**0**	**-13,935**	**56,756**	**42,821**	**-259**	**42,562**
Transactions with owners												
Distribution of profits									-1,602	-1,602		-1,602
Tranfers between items	9,995	46,420		-1,475		-4,664	-44,857	-4,576	-1,368	4,051	-4,051	0
Other changes				117		4,359	-10,023	-5,548	4,137	-1,411	-570	-1,981
Changes that did not result in loss of control		-301						-301	578	277	206	483
Total equity 31 December 2015	**20,338**	**59,122**	**34,475**	**21,163**	**3,651**	**68,076**	**81,278**	**267,766**	**570,131**	**858,235**	**22,458**	**880,694**
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
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**

BASIS OF PREPARATION

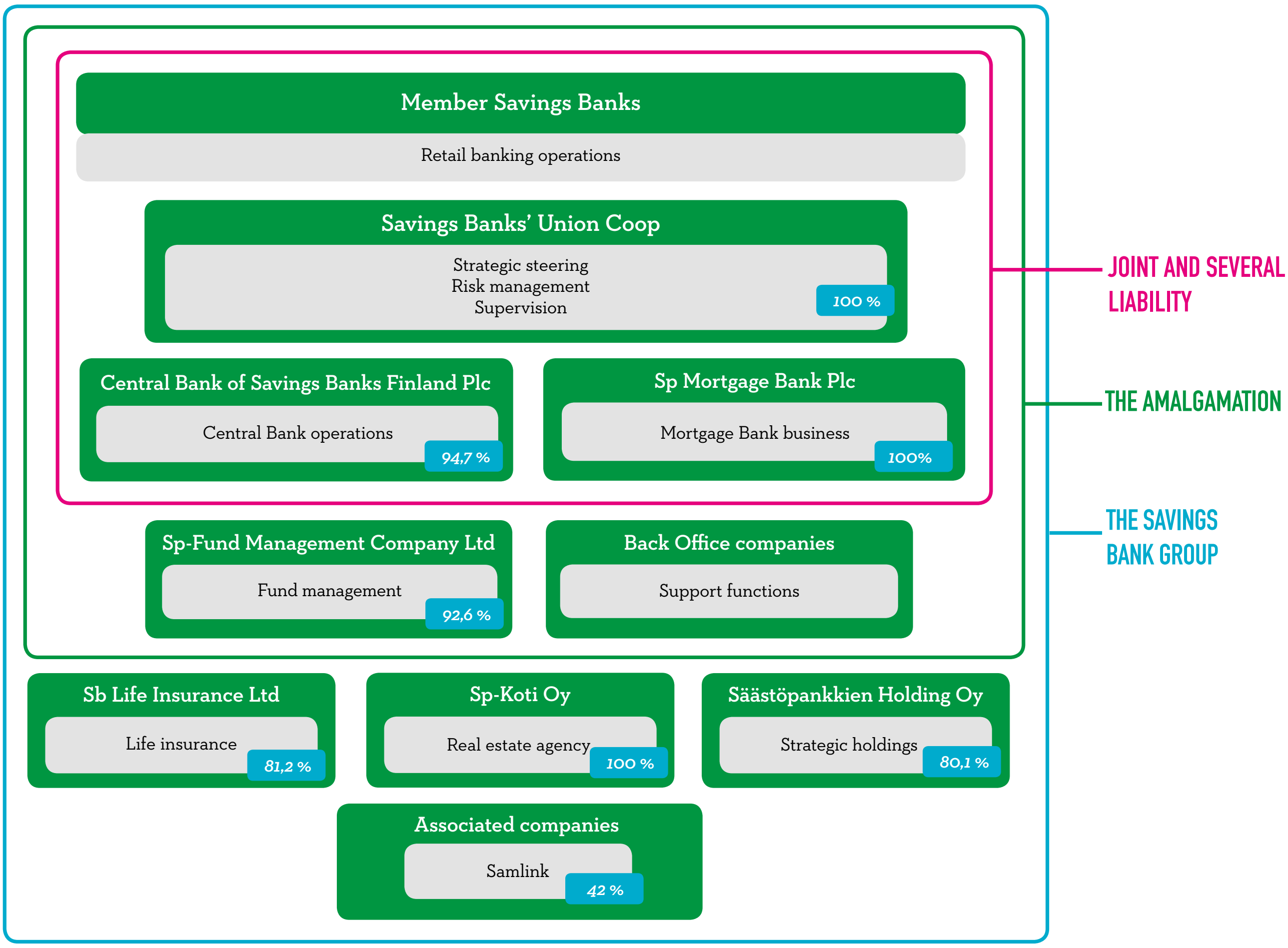
NOTE 1: DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

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 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 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):



Sp Mortgage Bank Plc received authorisation from the European Central Bank to operate as a residential mortgage credit bank in March 2016, and the Bank's operations were started immediately. Sp Mortgage Bank belongs to the Savings Banks Amalgamation and has been a member credit institution of the Savings Banks' Union from March 2016.

In September 2016, the Savings Banks sold their holding in Aktia Real Estate Mortgage Bank Plc. Aktia Real Estate Mortgage Bank was consolidated in the consolidated financial statements using the equity method until the time of divestment, when the Group's significant control over the company ended with the transaction.

Savings Banks' Union Coop steers the operations of the Group and is responsible for the internal control framework. According to the Amalgamation Act Savings Banks' Union Coop acting as the Central Institution of the Amalgamation is obliged to prepare consolidated financial statements for the Group. The Board of Directors of Savings Banks' Union Coop is responsible for preparing the financial statements. The financial statements are prepared for the financial group formed by the Savings Banks Group. 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 Espoo and its registered address is Linnoitustie 9, FI-02600 Espoo.

The Group's financial statements and release of the financial statements are available at the website *www.saastopankki.fi/saastopankkiryhma* or at the premises of Savings Banks' Union Coop, address Linnoitustie 9, FI-02600 Espoo.

The Board of directors of Savings Banks' Union Coop has in their meeting 16 February 2017 approved the Group's consolidated financial statements for the financial year ending 31 December 2016. The consolidated financial statements will be presented to the cooperative meeting of Savings Banks' Union Coop in the meeting scheduled for 16 March 2017.

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 pre-pared as a combination of the financial statements or consolidated 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.

Non-controlling interests

Non-controlling interests in equity, profit for the year and other items within the comprehensive income statement are presented separately in the Group's income statement, comprehensive income statement and balance sheet. Loss for the year is also allocated to non-controlling interests even if doing so would result in a negative non-controlling interest.

The share of non-controlling interests in subsidiaries is valued either at fair value or at proportionate share of the subsidiary's net assets. The valuation principle is defined separately for each acquisition.

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 statement. 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 impairment 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 properties. 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 other 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 2016 the following new and amended standards that have come into effect.

- Annual Improvements to IFRSs (2012-2014 cycle) (effective for financial years beginning on or after 1 January 2016): 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 cycle contains amendments to four standards. The impact of the changes vary by standard, but they are not significant for Savings Banks Group.
- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for financial years beginning on or after 1 January 2016). The amendments clarify the guidance in IAS 1 in relation to applying the materiality concept, disaggregating line items in the balance sheet and in the statement of profit or loss, presenting subtotals and to the structure and accounting policies in the financial statement. Savings Banks Group has made very few changes to the presentation of financial statements.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for financial years beginning on or after 1 January 2016): The amendments state that revenue-based methods of depreciation cannot be used for property, plant and equipment and may only be used in limited circumstances to amortise intangible assets if revenue and the consumption of the economic benefits of the intangible assets are highly correlated. The standard changes have not had an impact on the financial statements of Savings Banks Group, because depreciations have not been made based on sales revenue.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception* (effective for financial years beginning on or after 1 January 2016): The amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements for preparing consolidated financial statements when there are investment entities within the group. The amendments also provide relief for non-investment entities for equity accounting of investment entities. The changes have not had an impact on the financial statements of Savings Banks Group.
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016): The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The changes have not had an impact on the financial statements of Savings Banks Group. Savings Banks Group has not had acquisitions of joint arrangements, where an acquisition of business operations would have been concerned.

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 2016.

- IFRS 15 Revenue from Contracts with Customers (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, when the performance obligations based on customer contracts are fulfilled. 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 is assessed to be slight, as a whole.
- Amendments to IFRS 15 - Clarifications to IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018). The amendments include clarifications and further examples on how to apply certain aspects of the five-step recognition model. The impact assessment of the clarifications has been included in the IFRS 15 impact assessment described above.
- IFRS 9 Financial Instruments* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Introduction of the IFRS 9 standard

Savings Banks Group has prepared an impact study on the implementation of the IFRS 9 -standard, and it assesses on the basis of the study that the introduction of the IFRS 9 -standard will have significant effects on Savings Banks Group with regard to the financial statements, internal processes and system requirements.

In Savings Banks Group is ongoing an IFRS 9 project that covers the whole Group. A Group-level project ensures the uniform application of the IFRS 9 -standard across the Group. A dedicated steering group guides the IFRS project, which reports on the progress of the project further to the Audit Committee of the Savings Banks' Union Coop. In the project, participate persons from the financial administration, risk management, asset and liability management and ICT.

The project is at a implementation stage, and the objective is full IFRS 9 readiness on 1 January 2018, when the application of the IFRS 9 -standard will begin. The project has been scheduled so that parallel accounting would be possible in the second half-year period of 2017.

The Savings Banks Amalgamation apply the standard approach to the calculation of capital requirements of credit risk, and thus it is not possible to utilise in the implementation of IFRS 9 the models and system readiness of capital adequacy, but they have to be created in their entirety for the application of the IFRS 9 -standard.

Savings Banks Group is going to apply the exceptions provided by the transition provisions in IFRS 9 -standard for the non-presentation of the comparison information.

Classification and measurement

According to the IFRS 9 -standard, financial assets are classified both on the basis of the business model used for the management of assets and on the basis of the characteristics related to contract-based cash flows. On the basis of the business model and the characteristics of the cash flows, the financial assets are either classified at fair value through profit and loss, at fair value through other comprehensive income or valued at amortised cost.

In the classification of the financial assets of Savings Banks Group, no significant changes are to be expected between the valuation at fair value and valuation at amortised cost. The instruments that have been classified as loans and receivables according to the IAS 39, will be, as a starting point, still be valued at amortised cost when applying the IFRS 9 -standard. The most significant change with regard to classification will take place between the profit and other comprehensive income, so that more financial assets will be measured at fair value through profit and loss. The most significant instruments of these will be investments in mutual fund units and direct share investments. Savings Banks Group does not have significant equity instruments that would be classified at fair value through other comprehensive income.

The principles applied to the classification of financial liabilities are the same in the IFRS 9 -standard as in the IAS 39. Financial liabilities are still measured either at amortised cost or at fair value through profit and loss.

Changes in classification and measurement are not estimated to have a significant impact on the capital adequacy of the Savings Banks Amalgamation, because the most significant changes in the classification take place between the profit and other comprehensive income, which are both included in the primary own funds of the Savings Banks Amalgamation and consequently they do not have an impact on the own funds of the Amalgamation.

Impairment

The treatment of impairments will change significantly with the IFRS 9 -standard. In the IAS 39 -standard, impairments have been recorded according to the model of incurred impairment, whereas in the IFRS 9 -standard, the recording of impairments is based on the model of expected credit losses.

The expected credit losses are recognised on debt instruments accounted for at amortised cost and at fair value through other comprehensive income. These include also loan commitments and financial guarantee contracts.

The Savings Banks Group will be distributing agreements for the purpose of expected credit loss calculation according to their risk properties in six segments:

1) Retail customers (excluding mortgage)
2) Corporate customers (excluding mortgage)
3) Mortgage (both retail and corporate mortgage loans)
4) Public sector (includes the whole public sector and the student loans guaranteed by the government)
5) Financial institutions and non-profit institutions
6) Investment portfolio

When measuring the expected credit losses (ECL), the Group applies ECL methodology that incorporates probability of default (PD) and loss given default (LGD). With regard to financial assets, which are segmented to the segments of the public sector, financial institutions and non-profit institutions, the Group uses expected loss approach in calculating expected credit loss. With regard to the credit card receivables, the determination of expected expected credit loss will be based on the Roll Rate approach.

The IFRS 9 -standard requires that in the determination of expected credit losses all available financial information is reasonably utilised, including forecasts on future financial circumstances. For this reason, macroeconomic data will be used in the calculation, when calculating the expected credit losses over the life cycle of the agreement. Macroeconomic data includes information on, among other things, the estimated unemployment rate, interest, inflation and the development of real estate prices.

The IFRS 9 -standard requires that it is assessed whether the credit risk of the receivable has increased significantly since its initial recognition. In the assessment of the significant increase of credit risk is used, among other things, the change in credit rating (both absolute and relative), payment delay information and information on forbearance. The probability of default is determined in the calculation of expected credit losses according to the credit policy of the Group. Savings Banks Group is going to apply a relief concerning low credit risk exemption on the student loans guaranteed by the government and on the government loans.

The European Banking Authority, EBA, published on 10 November 2016 the results of an impact analysis, to which 58 banks in the EU area participated (Savings Banks Group did not participate in the impact analysis). According to the impact analysis of the EBA, impairments are estimated to grow in the banks participating in the impact analysis on average by 18–30%. This corresponds to Savings Banks Group's own preliminary estimate of the total growth of the impairments in Savings Banks Group. At this stage of the implementation, it is not yet possible to specify the estimate. Savings Banks Group estimates that a more specific calculation on the amount of expected credit losses will be obtained during the third quarter of 2017.

The amount of impairments will grow, among other things, because in the IFRS 9 -standard expected credit losses will be recorded instead of the incurred impairments of the IAS 39 -standard. It will also be necessary to estimate an impairment of all items falling under the field of application of the standard, including loans granted to companies of high creditworthiness. In the IFRS 9 -standard, the impairment assessment will also be expanded to off-balance sheet items.

According to the current proposal of the EU Commission, the treatment of IFRS 9 expected credit losses in the capital adequacy calculations has no significant impact on the own funds or the capital adequacy of the Savings Banks Amalgamation.

Hedge accounting

With the IFRS 9 -standard, the application of hedge accounting will be more principled, and the usage potential of hedge items and hedging instruments will grow. Hedge accounting and the risk management strategies will be combined even more strongly than previously.

The transfer to the application of the IFRS 9 -standard with regard to the general hedge accounting is not assessed to have an impact on the existing hedge relationships. The major part of the hedge accounting of Savings Banks Group is macro hedging, and it still belongs under the IAS 39 -standard. The changes to hedge accounting are not estimated to have an impact on the capital adequacy of the Savings Banks Amalgamation.

- 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 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. 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.
- Amendments to IAS 7 Statement of Cash Flows- 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 will affect the notes of the Savings Banks Group.

- Amendments to IAS 12 Income Taxes - 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 standard change will not have an impact on the financial statements of Savings Banks Group, because the current treatment of income taxes corresponds to the clarifications of the standard.

- Amendments to IFRS 4 Insurance Contracts - 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 insurance industry concerns about the impact of differing effective dates by allowing two optional solutions to alleviate temporary accounting mismatches and volatility. At the level of the reporting company, an opportunity is given to postpone the deployment of the IFRS 9 until 1 January 2021. At the level of the insurance and bank-centred Group, an overlay opportunity is given. The overlay alternative enables the recording of the difference between IFRS 9 and IAS 39 measurement in the other comprehensive income. It is possible to apply the postponement alternative only at et reporting company level, when the reporting company's main industry is insurance. The postponement alternative is not applicable in the consolidated financial statements of Savings Banks Group. At consolidation level, in Savings Banks Group, it is possible to apply the overlay alternative. The application of the overlay alternative would slightly reduce the profit volatility brought by IFRS 9, because with IFRS 9, with regard to the investments of insurance operations, the current recording practice would value assets at fair value through profit and loss instead of through the other comprehensive income (available-for-sale financial assets). The overlay alternative enables the recording of this difference in the other comprehensive income. Savings Banks Group has not yet made a final decision on the application of the overlay alternative.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Join Venture * (the effective date has been postponed indefinitely). The amendments address to clarify the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The standard change does not have an impact on the financial statements of Savings Banks Group for the foreseeable future.

- 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 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 Investment Property - 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 2017 for IFRS 12 and on or after 1 January 2018 for IFRS 1 and IAS 28). 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 cycle contains amendments to three standards. Their impacts vary standard by standard but are not significant.

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 equ-ity 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. Among other things, the Meeting confirms, on the proposal of the Board of Directors, the operating principles, strategy, solvency management policies and other general governance principles of the Savings Banks' Group.

Supervisory Board

The General Meeting elects the members of the Supervisory Board and their personal deputies for the term extending till the next ordinary General Meeting. The Supervisory Board consists of 9-35 members.

The Supervisory Board had 22 members. 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.

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 knowledgeably and carefully, pursuant to the Cooperatives Act, and in the interest of the Central Institution and the Savings Banks Group. The Supervisory Board issues a statement to the General Meeting on the Savings Banks Group's strategy 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 till the next ordinary General Meeting. The Board of Directors consists of six to nine members.

By the decision of the Savings Banks Union Coop General meeting at 17.3.2016, the members of the Board of Directors were Mr Jussi Hakala (chairman), Mr Matti Saustila (vice-chairman), Ms Pirkko Ahonen, Mr Toivo Alarautalahti, Mr Hans Bondèn, Mr Kalevi Hilli, Mrs. Hanna Kivelä and Mr Jan Korhonen. The Directors are Managing Directors of the Savings Banks, except Mrs. Kivelä, who is the independent member 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 appropriately 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 internal controls, internal audit systems and audit procedures. It furthermore makes sure that the operations and internal controls 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 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 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 Pasi Kämäri and his deputy is Mr Harri Mattinen.

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 Amalgamation 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 2016, 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 institution of the Amalgamation.

The internal control system comprises financial and other controls. Internal control is the part of management 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 securing 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 internal 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 Section 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 liquidity 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 member 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

Payment liability of the Central Institution and mutual responsibility of member credit institutions

According to the Amalgamation Act, the Central Institution must, as a supporting measure, pay to a member 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 organisations 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 organisation 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 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 members. 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 committee 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 liquidity 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 Directors 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 Central 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 information 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 and the companies within the consolidation groups of the above-mentioned entities, and Sp-Fund Management Company Ltd.

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 operations 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 recognise 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 strategy 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 organisations 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 relationship. 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 independently 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 addi-tion, 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 organisations 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 frame-work 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 organisations are responsible for arranging the internal control framework within their own organisations in accordance with legislation, government regulations and the guidelines of the Board of Directors of the Central Institution. The Managing Director together with the other senior management of the member organisations are responsibles 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 reconciliations together with adequate monitoring and reporting.

Risk strategies and limit structure for each risk area have been established at the Amalgamation and member organisation 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 Amalgamation'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 overall principles for the capital adequacy management process. In practice this means that the Board of Directors approves the risk strategies and defines target levels for the capital needed to cover all material risks 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 14,5 %

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 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 requirementt

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)	31.12.2016	31.12.2015
Exposures to central governments or central banks	0	15
Exposures to regional governments or local authorities	33	23
Exposures to public sector entities	0	0
Exposures tu multilateral development banks	20	0
Exposures to international organisations	0	0
Exposures to institutions	4,392	5,931
Exposures to corporates	73,372	69,423
Retail exposures	66,447	66,059
Exposures secured by mortgages on immovable property	138,240	123,366
Exposures in default	4,295	3,871
Exposures associated with particularly high risk	545	417
Exposures in the form of covered bonds	430	455
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)	33,665	33,656
Equity exposures	7,807	15,982
Other items	10,776	8,632
Capital requirements for credit and counterparty credit risk	**340,022**	**327,830**
Capital requirement for credit value adjustment (CVA)	**7,885**	**8,369**
Capital requirement for market risk	**2,812**	**3,799**
Capital requirement for operational risk	**33,716**	**31,501**
Total capital requirement	**384,435**	**371,498**
Total own funds	**936,567**	**874,263**

Own funds and capital ratio

At the end of 2016, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Total own funds were EUR 936.6 million (EUR 874.3 million), of which CET1 capital accounted for EUR 887.9 million (EUR 824.5 million). The growth in CET1 capital was due to the profit for the financial year. Tier 2 (T2) capital accounted for EUR 48.7 million (EUR 49.7 million), which consisted of debentures in the financial year. Risk-weighted assets amounted to EUR 4,805.4 million (EUR 4,643.7 million), i.e., they were 3.5% 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 19.5% (18.8%) and the CET1 capital ratio was 18.5% (17.8%).

Own Funds (EUR 1,000)	31.12.2016	31.12.2015
Common Equity Tier 1 (CET1) capital before regulatory adjustments	915,685	849,784
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-27,835	-25,252
Common Equity Tier 1 (CET1) capital	**887,850**	**824,531**
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**887,850**	**824,531**
Tier 2 (T2) capital before regulatory adjustments	48,717	44,776
Total regulatory adjustments to Tier 2 (T2) capital	0	4,956
Tier 2 (T2) capital	**48,717**	**49,732**
Total capital (TC = T1 + T2)	**936,567**	**874,263**
Risk weighted assets	**4,805,436**	**4,369,355**
of which: credit and counterparty risk	4,250,278	3,811,274
of which: credit valuation adjustment (CVA)	98,561	123,140
of which: market risk	35,147	46,954
of which: operational risk	421,450	387,988

Solvency ratio	31.12.2016	31.12.2015
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.5 %	17.8 %
Tier 1 (as a percentage of total risk exposure amount)	18.5 %	17.8 %
Total capital (as a percentage of total risk exposure)	19.6 %	18.8 %
Capital requirement		
Total capital requirement	936,567	874,263
Capital requirement total	504,571	487,591
Capital buffer	431,996	386,672

At the beginning of 2015, the capital requirement on banks became higher as Finland adopted the capital conservation buffer and the countercyclical capital buffer. The capital conservation buffer increased the capital adequacy requirement from 8% to 10.5% when calculated based on risk-weighted assets. The countercyclical capital buffer will vary between 0% and 2.5%. The decision on the adoption and percentage of the countercyclical capital buffer is made quarterly by the Board of the Financial Supervisory Authority based on its macro prudential analysis. In 2016, the Financial Supervisory Authority did not set a countercyclical capital buffer requirement for Finnish credit institutions.

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 subconsolidation 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).

Leverage ratio

The Savings Banks Amalgamation's leverage ratio was 9.1% (9.2%). 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)	31.12.2016	31.12.2015
Tier 1 capital	887,850	824,531
Leverage ratio exposure	9,801,832	8,946,523
Leverage ratio	9.1 %	9.2 %

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

Supervision by the Financial Supervisory Authority

The Savings Banks Amalgamation is under the direct supervision of the Financial Supervisory Authority. The Financial Supervisory Authority set in December 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) related to the process. The discretionary capital conservation buffer is 0.5% in size, and it shall be filled with CET1 capital. The discretionary capital conservation buffer will enter into force on 30 June 2017.

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), which created a resolution plan for the Savings Banks Amalgamation in the early year 2017. As part of the resolution plan, at the Amalgamation level a requirement will be set on the amount of own funds and deductible liabilities (MREL requirement), and it will enter into force on 31 December 2017. The requirement will not be directed at the member credit institutions, but the member credit institution-specific requirement will be assessed again in 2018. 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) customers, 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 guidelines 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, most important of which are credit underwriting policy, collateral guidelines, guidelines for the recognition and management of problem customers, guidelines for the impairment and credit loss process, guidelines for collateral price follow up for real estates, 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 Directors 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 customers' 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 collateral 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)	31.12.2016			
Exposure group	Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable property	5,089,427			5,089,427
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			
Exposures to central governments or central banks	1,311,593			
Exposures in the form of units or shares in collective investment undertakings (CIUs)	483,476			
Exposures in default	68,956	1,355	102	28
Othe exposure groups in total	281,460		234	
Total	**10,232,203**	**370,911**	**48,465**	**5,091,073**

Credit and counterparty risk (EUR 1,000)	31.12.2015			
Exposure group	Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable property	4,522,220			5,880,512
Retail exposures	1,713,062	297,512	36,695	1,279
Exposures to corporates	957,794	35,016	6,880	128
Exposures to institutions	237,581			
Exposures to central governments or central banks	728,608			
Exposures in the form of units or shares in collective investment undertakings (CIUs)	468,656			
Exposures in default	61,525	1,895	329	14
Othe exposure groups in total	304,988		38	
Total	**8,994,433**	**334,423**	**43,942**	**5,881,934**

Lending to private customers

The loan portfolio of the Banking segment was EUR 6,944 million at the end of 2016 (EUR 6,232 million) and increased with EUR 712 million compared to previous year-end. The lending to private customers was 75 % (74%), to corporate customers 17 % (18%) and to agricultural and others customers 8 % (9%).

Breakdown of loans by customer groups (EUR 1,000)			
Customer group	31.12.2016	31.12.2015	change %
Private customers	5,203,344	4,592,025	13.3 %
SME corporate customers	1,193,222	1,105,461	7.9 %
Agricultural and other customers	547,738	534,572	2.5 %
Total	**6,944,304**	**6,232,058**	**11.4 %**

The mortgage lending was EUR 4,651 million at the end of 2016 (EUR 4,138 million) with growth of 12.4 % during the year. A large part of the growth, approximately 4.0%, was due to the transfers of loans intermediated by Savings Banks from Aktia Real Estate Mortgage Bank Plc to Savings Banks Group's own balance sheet during the Spring of 2016.

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. New private customer application and portfolio rating models have been implemented in October 2016. The new 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 will be 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

	31.12.2016
AAA	12.3 %
AA1	11.5 %
AA2	28.4 %
AA3	11.9 %
AA4	3.5 %
A1	5.2 %
A2	1.2 %
A3	1.7 %
A4	9.5 %
B1	7.4 %
B2	0.2 %
C1	0.3 %
C2	3.6 %
D	3.3 %
Total	**100.0 %**

Lending to corporates

In corporate lending the Savings Banks target at the micro and small businesses, self-employed entrepre-neurs 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

	31.12.2016	31.12.2015
AAA	3.5 %	2.5 %
AA1	3.6 %	3.5 %
AA2	20.9 %	20.5 %
AA3	16.6 %	16.3 %
AA4	7.0 %	8.3 %
A1	12.5 %	13.5 %
A2	9.7 %	8.3 %
A3	5.3 %	4.1 %
A4	6.1 %	5.9 %
B1	3.4 %	5.4 %
B2	3.8 %	5.1 %
C1	4.6 %	4.1 %
C2	0.7 %	0.6 %
D	0.9 %	0.6 %
Non-performing/defaulted	1.6 %	1.2 %
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 guidelines 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)	31.12.2016	31.12.2015
Basic industries, fisheries and mining	7.1 %	7.6 %
Industry	6.0 %	7.3 %
Energy, water and waste disposal	1.5 %	1.9 %
Construction	9.3 %	10.3 %
Trade	8.0 %	9.4 %
Hotels and restaurants	3.3 %	3.9 %
Transport	4.2 %	5.2 %
Financing	1.8 %	1.2 %
Property	44.3 %	41.8 %
Research, consulting and other business service	7.1 %	5.9 %
Other services	7.5 %	5.4 %
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 thresholds 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 institutions and at the level of the Amalgamation. The non-performing loans of the Amalgamation levelled with the previous year and were approx. 0.95 % (0.94%) of the loan portfolio. The non-performing loans for the private customers were 0.74% (0.69%) of the total lending. Payment delays (30 - 90 days) were EUR 61.1 million (EUR 63.3 million). 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 example interest-only period or restructuring the loan. The reason for these arrangements is to ensure the customers' 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 56.4 million (EUR 60.9 million).

Payment delays and non-performing loans (EUR 1,000)	31.12.2016	Share (%)	31.12.2015	Share (%)
Payment delays (30 - 90 days)	61, 129	0.9 %	63,291	1.0 %
Unlikely to pay that are not past-due or past-due <90 days	7,797	0.1 %	5,690	0.1 %
Non-performing loans 90-180 days	13,741	0.2 %	12,498	0.2 %
Non-performing loans 180 days - 1 year	14,594	0.2 %	11,702	0.2 %
Non-performing loans > 1 year	37,321	0.5 %	35,225	0.6 %
Forberance in total	56,362	0.8 %	60,873	1.0 %

Impairments on loans and other 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 other 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 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 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 other 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.

Impairment losses on loans and receivables increased during 2016 and were EUR 31.1 million at the end of the year (EUR 25.9 million). Individual impairments were in total EUR 24.9 million (EUR 20.3 million) and collective impairments were in total EUR 6.3 million (EUR 5.7 million) Collective impairments for private customers were EUR 1.7 million (EUR 2.1 million) and collective impairments for SME EUR 3.3 million (EUR 3.5 million) and forestry and agricultural customers were EUR 0.8 million. Impairment losses on loans and other receivables were 0.12 % (0.10 %) of the total loan portfolio.

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 customers' 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	31.12.2016		31.12.2015	
(EUR 1,000)	Fair value	Share (%)	Fair value	Share (%)
Debt securities	728 ,452	53.8 %	730,933	52.7 %
Other securities	23,223	1.7 %	20,714	1.5 %
Shares	59,497	2.4 %	98,017	7.1 %
Share funds	87,543	6.5 %	97,934	7.1 %
Mixed funds	20,842	1.5 %	23,161	1.7 %
Interest funds	358,808	26.5 %	334,664	24.1 %
Hedge funds	301	0.0 %	3,750	0.3 %
Structured investments	14,819	1.1 %	21,531	1.6 %
Other investments	20,333	1.5 %	12,626	0.9 %
Properties	68,410	5.0 %	67,057*	3.1 %
Total	**1,355,088**	**100 %**	**1,385,025**	**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 11% (62%) of the equity portfolio consists of equity holdings necessary for operations. Other equity holdings consists mainly of publicly listed shares.

Equity portfolio (EUR 1,000)	31.12.2016	31.12.2015
Listed shares	25,951	24,774
Unlisted shares	33,546	73,243
Total	**59,497**	**98,017**

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 investment 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 portfolios 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

Limits and thresholds have been set for market risk applicable to both individual member banks and the Amalgamation.

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 book of member credit institutions, consisting of lending and deposits, wholesale market funding and investment and liquidity portfolios. 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 stabilise 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 monthly, using both the net interest income and the change in the present value of the balance sheet. The current value method measures how much the fair value of the balance sheet changes when interest rates change, and the market value of each balance sheet item is expected to equal the present value of the cash flows generated by such instrument. The income risk model predicts the future 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			
	31.12.2016		31.12.2015	
Period	Down	Up	Down	Up
Change in the coming 12 months	-1,171	14,361	-1,729	8,110
Change in 12-24 months	-1,894	26,254	-3,146	21,192

Liquidity risk

Liquidity risk refers to the capability of the Amalgamation and its individual member credit institution to meet their commitments. Liquidity risk may arise from the uncontrollability and/or foreseeability of incoming and outgoing cash flows. Liquidity risk also comprises an uncontrollable rise in funding costs.

Liquidity risk may be further divided into short-term liquidity risk and long-term funding risk.

The Amalgamation engages in deposit banking which involves an intrinsic funding risk arising from maturity transformation. Business is based on deposits obtained from the member Savings Banks' customers and used for lending to the target customers of member Savings Banks.

On 31 December 2016 the Amalgamation had 1,294 (745) million euros (before haircuts) of LCR eligible liquid assets of which 79 % (67 %) were notes and coins and reserves held in the Bank of Finland, 17 % (21 %) were level 1 assets issued by governments and multinational organisations and 4 % (11 %) were other assets. The Amalgamation's LCR was 224 % (128 %) on 31 December 2016.

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			
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	
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				546,666
Financial 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	
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.

Assets 2015 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Cash and central bank reserves	546,340	546,340			
Central bank eligible debt securities	328,918	7,946	44,625	142,091	134,256
Receivables from financial institutions	74,522	74,522			
Receivables from customers and public entities	6,314,362	349,360	511,677	2,064,878	3,388,447
Other debt securities	471,626	28,985	54,089	321,716	66,836
Equity and shares	666,288				666,288
Financial assets total	**8,402,056**	**1,007,153**	**610,391**	**2,528,685**	**4,255,827**

Liabilities 2015 (EUR 1,000)	Total	< 3 mon	3-12 mon	1-5 years	> 5 years
Due to credit institutions and central banks	351,241	138,339	85,777	118,990	8,135
Amounts owed to customers and public entities	5,924,242	4,712,435	945,685	260,791	5,331
Debt securities in issue	1,042,237	160,359	193,402	688,476	
Subordinated liabilities	146,252	600	39,489	103,499	2,664
Financial liabilities total	**7,463,973**	**5,011,734**	**1,264,353**	**1,171,757**	**16,130**

Derivatives, net cash flows	81,767	5,444	14,970	49,102	12,251

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 Amalgamation 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, which applies at both the individual member bank level and the Amalgamation level.

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 Amalgamation 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.

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 23). The fair values are presented in 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 operations.

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 sanctions, 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 internal 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 minimised 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 1,867.9 million (EUR 1,567.0 million). The total number of investment funds managed at the end of 2016 was 19 (18).

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)	31.12.2016			31.12.2015
	Risk premiums	Claims incurred	Claims ratio	Claims ratio
Risk insurance	2,279	1,312	57.6 %	29.3 %
Savings and pension insurance	16,800	16,114	95.9 %	93.7 %
Total	**19,079**	**17,426**	**91.3 %**	**83.9 %**

Insurance risk

The most significant insurance risks are linked to pure risk products. These products include loan insurance, which covers death and permanent disability. Such risks are managed by the insurance terms and conditions, careful selection of risks, correct pricing and reinsurance. In 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 incapacity for work 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 5.4 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 2016, it was an average of 0.02%. EUR 9.9 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)	31.12.2016	31.12.2015
Bonds		
Bonds	8,435	21,192
Fixed-income funds	146,321	109,445
Shares, Developed markets		
Shares	10,355	9,892
Equity funds	18,317	9,850
Structured investments	1,537	27,593
Hedge funds	112	2,327
Real estate		
Real estate	0	0
Real estate funds	4,964	7,644
Bank receivables in investments	7,869	5,497
Derivatives	0	0
Total	**197,910**	**193,440**

Interest rate risk

Bond and fixed income fund investments according to modified duration

Modified duration (EUR 1,000)	31.12.2016	Share	31.12.2015	Share
0 - 1	16,177	10%	37,683	29%
1 - 3	23,613	15%	20,562	16%
3 - 5	27,065	17%	32,119	25%
5 - 7	29,737	19%	22,238	17%
7 - 10	34,732	22%	11,761	9%
10 -	23,432	15%	6,275	5%
Total	**154,756**	**100%**	**130,638**	**100%**

Counterparty risk

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

Credit rating	Maturity					31.12.2016		31.12.2015	
	0 - 1	1 - 3	3 - 5	5 - 7	7 - 10	10 -	Total	Share	Total	Share
AAA	2,900	614	534	582	9,644	1,130	15,404	10%	9,106	6%
AA	801	714	1,801	2,529	2,818	2,164	10,827	7%	15,913	10%
A	1,018	4,579	3,919	4,362	3,133	2,304	19,315	12%	22,057	14%
BBB	3,825	11,693	8,119	8,151	8,208	8,629	48,625	31%	67,496	43%
< BBB	734	4,833	11,238	11,489	7,625	6,223	42,142	27%	24,876	16%
Unclassi-fied	6,900	2,716	1,453	2,624	3,302	2,982	19,977	13%	18,781	12%
Total	**16,178**	**25,149**	**27,064**	**29,737**	**34,730**	**23,432**	**156,290**	**100%**	**158,229**	**100%**

Currency risk

Investments by currency

Currency (EUR 1,000)	31.12.2016	Share	31.12.2015	Share
EUR	190,780	96%	181,587	94%
USD	3,141	2%	8,022	4%
GBP	2,094	1%	2,696	1%
Others	1,894	1%	1,135	1%
Total	**197,909**	**100%**	**193,440**	**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	31.12.2016	31.12.2015
Interest	+ 1 %-point	-9,025	-5,154
	- 1 %-point	9,025	5,154
Share	-10 %	-2,867	-1,974
Real estate	-10 %	-496	-764
Currency	Others/Euro -10 %	-713	-1 185
Structured loans	-10 %	-154	-2 759

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 statement is based on the same division as is applied in management reporting.

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

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

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

The Asset Management and Life Insurance segment comprises Sp- Fund Management Company Ltd and Sb Life Insurance Ltd. Sp-Fund Management Company 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 (Note 2) 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 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 investment and 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 and depreciation	-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**
*** of which external**	**212,627**	**32,569**	**245,195**
*** of which internal**	**1,680**	**525**	**2,204**

Statement of financial position 2016			
Cash and cash equivalents	1,100,784		1,100,784
Financial 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 employees at the end of the period	**1,076**	**79**	**1,155**

Reconciliations: (EUR 1,000)	1-12/2016	1-12/2015
Revenue		
Total revenue for reportable segments	247,399	237,345
Non allocated revenue, other operations**	-2,023	-6,814
Total revenue of the Group	**245,376**	**230,531**
Profit		
Total profit or loss for reportable segments	58,455	62,887
Non allocated amounts	-1,258	-5,268
Total profit of the Group	**57,197**	**57,619**

** The Banking segments other operating revenue includes refunds of Savings Banks Guarantee Fund, which during the financial year 2015 was EUR 6.2 million. The Savings Banks Guarantee Fund ceased operations as planned in the spring of 2015. The Savings Banks Guarantee Fund's refunded capital is seen in the income statement of the Banking operations segment in other operating revenue. In the financial statements of the Group, the assets returned do not have a result impact as an internal item of the Group, which is why non allocated items other operations during the financial year 2015 is negative.

	31.12.2016	31.12.2015
Assets		
Total assets for reportable segments	10,341,068	9,073,880
Non allocated assets, other operations	82,578	115,510
Total assets of the Group	**10,423,646**	**9,189,391**
Liabilities		
Total liabilities for reportable segments	9,358,126	8,161,267
Non allocated liabilities, other operations	112,119	147,430
Total liabilities of the Group	**9,470,245**	**8,308,697**

Income statement 2015 (EUR 1,000)	Banking	Asset Management and Life Insurance	Reportable segments in total
Net interest income	125,019		125,019
Net fee and commission income	49,490	18,883	68,373
Net investment and trading income	19,792		19,792
Net life insurance income		15,718	15,718
Other operating revenue	8,438	4	8,443
Total operating revenue*	**202,739**	**34,606**	**237,345**
Personnel expenses	-59,906	-5,746	-65 652
Other operating expenses and depreciation	-83,522	-6 519	-90,041
Total operating expenses	**-143,428**	**-12,265**	**-155,693**
Net impairment loss on financial assets	-6,127		-6,127
Share of profits or losses of associates	-429		-429
Profit before tax	**52,756**	**22,341**	**75,097**
Taxes	-7,881	-4,329	-12,210
Profit	**44,875**	**18,012**	**62,887**
*** of which external**	**200,207**	**33,975**	**234,182**
*** of which internal**	**2,533**	**631**	**3,163**

Statement of financial position 2015			
Cash and cash equivalents	563,340		563,340
Financial assets at fair value through profit or loss	18,163		18,163
Loans and advances to credit institutions	74,522		74,522
Loans and advances to customers	6,313,005		6,313,005
Derivatives	70,845		70,845
Investment assets	1,306,305		1,306,305
Life insurance assets		581,866	581,866
Investments in associates	39,183		39,183
Other assets	98,932	7,719	106,651
Total assets	**8,484,295**	**589,586**	**9,073,880**
Liabilities to credit institutions	351,241		351,241
Liabilities to customers	5,915,969		5,915,969
Derivatives	1,588		1,588
Debt securities issued	1,042,237		1,042,237
Life insurance liabilities		544,236	544,236
Subordinated liabilities	146,039	213	146,252
Other liabilities	154,248	5,496	159,744
Total liabilities	**7,611,322**	**549,945**	**8,161,267**
Number of employees at the end of the period	**1,104**	**72**	**1,176**

NOTE 7: NET INTEREST INCOME

(EUR 1,000)	1-12/2016	1-12/2015
Interest income		
Debts eligible for refinancing with Central Bank	4, 457	4,894
Loans and advances to credit institutions	320	2,008
Loans and advances to customers*	131,978	131,216
Debt securities	16,703	17,644
Derivative contracts		
Hedging derivatives	24,326	24,436
Other than hedging derivatives	252	797
Other	2,626	1,818
Total	**180,663**	**182,812**
* of which interest income from impaired loans	557	488
Interest expense		
Liabilities to credit institutions	4,460	3,742
Liabilities to customers	26,543	37,637
Derivative contracts		
Hedging derivatives	3,133	3,186
Other than hedging derivatives	106	
Debt securities issued	10,678	9,480
Subordinated liabilities	3,071	3,587
Other	979	163
Total	**48,970**	**57,794**
Net interest income	**131,693**	**125,018**

NOTE 8: NET FEE AND COMMISSION INCOME

(EUR 1,000)	1–12/2016	1–12/2015
Fee and commission income		
Lending	19,419	16,528
Deposits	977	983
Payment transfers	29,126	30,600
Securities brokerage	1,874	2 115
Mutual fund brokerage	18,145	17,058
Asset management	1,978	2,109
Legal services	3,145	2,812
Custody fees	1,253	1,194
From insurance brokerage	1,645	1,462
Guarantees	1,307	1,208
Other	2,554	2,931
Total	**81,422**	**78,999**
Fee and commission expense		
Payment transfers	3,208	3,357
Securities	1,229	1,711
Asset management	468	127
Other*	5,090	4,954
Total	**9,994**	**10,150**

*of which the most significant expenses are the shared ATM expenses amounting to EUR 2,120 thousand (EUR 2,707 thousand).

Net fee and commission income	**71,428**	**68,850**

NOTE 9: NET TRADING INCOME

(EUR 1,000)	1–12/2016	1–12/2015
Financial assets and liabilities held for trading		
Capiatl gains and losses	11	-124
Fair value gains and losses*	136	-1,030
Dividend income	1	
Net income from foreign exchange operations	-193	-43
Net income from hedge accounting		
Change in hedging instruments' fair value	2,047	-10,741
Change in hedged items' fair value	-2,057	10,588
Net trading income	**-56**	**-1,350**

* Including EUR -172 (EUR 319) thousand of the ineffective part of cash flow hedges.

NOTE 10: NET INVESTMENT INCOME

(EUR 1,000)	1–12/2016	1–12/2015
Net income from available-for-sale financial assets		
Debt securities		
Capital gains and losses	145	-25
Transferred from fair value reserve during the financial year	2,988	2,452
Impairment losses and their reversal	-191	50
Total Debt securities	**2,941**	**2,477**
Shares and participations		
Capital gains and losses	312	-479
Transferred from fair value reserve during the financial year	12,396	16,618
Impairment losses	-331	-231
Dividend income	2,644	2,627
Total shares and participations	**15,021**	**18,535**
Total	**17,962**	**21,012**
Net income from investment property		
Rental and dividend income	6,858	6,785
Capital gains and losses	283	233
Other income from investment property	185	142
Maintenance charges and expenses	-5,051	-5,194
Depreciation and amortisation of investment property	-2,374	-2,419
Rental expenses arising from investment property	-53	-33
Total	**-153**	**-486**
Net investment income	**17,809**	**20,526**

NOTE 11: NET LIFE INSURANCE INCOME

(EUR 1,000)	1–12/2016	1–12/2015
Premiums written		
Group's share	137,975	148,834
Insurance premiums ceded to reinsurers	-180	-91
Net investment income*	33,102	34,610
Claims incurred		
Claims paid	-38,812	-24,992
Change in provision for unpaid claims	-497	-4,924
Change in insurance contract liabilities		
Change in life insurance provision	-118,410	-137,224
Other	-1,368	-1,034
Net life insurance income	**11,810**	**15,178**

Premiums written (EUR 1,000)	1–12/2016	1–12/2015
Premiums written from insurance contracts		
Premiums written from risk insurance contracts		
Risk insurance	7,895	7,360
Total	7,895	7,360
Premiums written from insurance contracts with entitlement to discretionary portion of surplus		
Savings insurance	9,255	12,711
Voluntary pension insurance	594	683
Voluntary group pension insurance	32	53
Total	9,881	13,447
Premiums written from unit-linked insurance contracts		
Savings insurance	73,600	82,747
Voluntary pension insurance	5,706	5,785
Voluntary group pension insurance	452	445
Capitalization agreement	8,995	5,957
Total	88,753	94,935
Total	**106,528**	**115,743**
Premiums written from investment contract		
Premiums written from unit-linked investment contracts	31,447	33,091
Total	**31,447**	**33,091**
Total premiums written	**137,975**	**148,834**

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)	1-12/2016	1-12/2015
Net Interest	569	1,466
Dividend income	516	27
Net income from investment property	275	94
Realised capital gains and losses	5,426	14,972
Unrealised gains and losses	21,747	15,405
Other investments	-105	-97
Net income from foreign exchange operation	22	90
Net income from unit-linked customer assets	4,651	2,652
Total	**33, 102**	**34,610**

Benefits paid (EUR 1,000)	1-12/2016	1-12/2015
Benefits paid from insurance contracts		
Benefits paid from insurance contracts	-828	-642
Benefits paid from insurance contracts entitling to discretionary portion of surplus		
Savings insurance		
Maturities	-294	-884
Death benefits	-6,845	-5,211
Surrenders	-3,679	-2 611
Total	-10,817	-8,706
Personal pension insurance		
Annuities	-458	-394
Death benefits	-26	-19
Surrenders	-46	-52
Total	-531	-465
Group pension insurance		
Annuities	-29	-45
Surrenders		-2
Total	-29	-47
Capital redemption contracts		
Maturities	-382	0
Surrenders	-1,486	-357
Total	-1,868	-357

Benefits paid (EUR 1,000)	1-12/2016	1-12/2015
Benefits paid from unit-linked insurance contracts		
Savings insurance		
Maturities	-503	-667
Death benefits	-7,816	-5,359
Surrenders	-10,697	-6 049
Total	-19,016	-12,075
Voluntary pension insurance		
Annuities	-513	-315
Death benefits	-80	-208
Surrenders	-514	-647
Total	-1,106	-1,170
Voluntary group pension insurance		
Annuities	-21	-23
Surrenders	-7	-24
Total	-28	-46
Total benefits paid from insurance contracts	**-34,223**	**-23,508**
Benefits paid from investment contracts		
Death benefits	-1,347	-889
Surrenders	-3,241	-596
Total	-4,588	-1,485
Total benefits paid from investment contract	**-4,588**	**-1,485**
Total direct insurance	**-38,812**	**-24,992**
Total benefits paid	**-38,812**	**-24,992**

Change in insurance contract liabilities

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 chan-ges 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	0							0
Total	**542,831**	**137,975**	**-37,934**	**-877**	**26,533**	**-13 816**	**7,239**	**661,951**

Change in liabilities for insurance policies 2015 (EUR 1,000)	Provsion 1 Jan 2015	Premi-ums	Claims, part of deposit	Claims, part of risk	Interest and chan-ges in fair value	Other charges and credits	Other items	Provision 31 Dec 2015
Other than unit-linked contract liabilities								
Insurance liability discounted with interest rate guarantee	133,036	13,447	-9,299	-39	2,489	-1,187	-5,123	133,324
Bonus reserves							8,000	8,000
Reserve for decreased discount rate	1 213						-107	1,105
Reserve for increased operating costs	5,410						-1,253	4,157
Risk insurance liability	460	7,360	-1	-640	3	-7,390	664	457
Unit-linked contract liabilities								
Liabilities for unit-linked insurance contracts	242,130	92,152	-13,519	-9	20,296	-3,792	5,124	342,381
Liabilities for unit-linked investment contracts	18,464	35,874	-1,485		991	-437		53,408
Reserve arising from liability adequacy test	0							0
Total	**400,712**	**148,834**	**-24,304**	**-688**	**23,779**	**-12,806**	**7,305**	**542,831**

NOTE 12: INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS

(EUR 1,000)	1-12/2016	1-12/2015
Interest income on		
Unimpaired held-to-maturity investments	984	925
Loans and receivables	134,924	135,042
Available-for-sale financial assets	19,641	20,797
Total interest income arising from financial assets not measured at fair value through profit or loss	**155,549**	**156,764**
Available-for-sale financial assets		
Dividend income	2,644	2,627
Reclassified from OCI	15,384	19,070
Financial assets at fair value through profit or loss - net change in fair value		
Held-for-trading	1,688	2,273
Cash flow hedges - reclassified from OCI	-172	319
Finance income	**175,092**	**181,053**
Financial liabilities measured at amortised cost - interest expense	-45,731	-54,608
Available-for-sale financial assets - impairment loss	-522	-181
Loan receivables - impairment loss	-8,411	-6,127
Financial assets at fair value through profit or loss - net change in fair value		
Held-for-trading	-1,380	-3,464
Finance expenses	**-56,044**	**-64,380**
Net income and expenses from financial instruments	**119, 048**	**116,673**

NOTE 13: OTHER OPERATING REVENUE

(EUR 1,000)	1-12/2016	1-12/2015
Rental and dividend income from owner-occupied property	177	154
Capital gains from owner-occupied property	103	130
Other income from Banking *	11,936	1,895
Other	476	130
Other operating revenue	**12,692**	**2,309**

* Other income from banking included around EUR 8 million of income related to the Visa Europe trade. Visa Europe was sold to Visa Inc. in the United States in June 2016.

NOTE 14: PERSONNEL EXPENSES

(EUR 1,000)	1-12/2016	1-12/2015
Wages and salaries	60, 598	57,283
Pension expenses		
Defined contribution plans	11,688	10,126
Defined benefit plans	998	921
Other personnel related costs	2,833	2,302
Personnel expenses	**76,117**	**70,632**

Full-time	1,083	1,035
Part-time	54	52
Temporary	133	143
Total	**1,270**	**1,230**

Number of employees converted to FTEs	1,242	1,181
Average number of FTEs during the financial year	1,250	1,189

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.

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

2015 Salaries and remuneration (EUR 1,000)	Fixed salaries	Variable renumeration
Top management	3,893	479
Risk takers	11,822	797
Others	38,834	1,458

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

Total salaries and remuneration by business segments.

2016 (EUR 1,000)	Banking	Asset management and Life insurance	Other	Total 2016	Total 2015
Fixed salaries	46,371	4,242	5,378	55,991	54,548
Variable remuneration	3,900	413	294	4,607	2,734
Number of emplyees	1, 076	79	115	1,270	1,230

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 272 (512) thousand of redundance payments have been paid to 10 (11) persons.

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 year which would have been granted and postponed in previous financial years.

NOTE 15: OTHER OPERATING EXPENSES

(EUR 1,000)	1-12/2016	1-12/2015
Other administrative expenses		
Other personnel expenses	6,442	6,118
Office expenses	7,151	6,922
ICT expenses	28,967	30,790
Telecommunications	4,380	3,850
Representation expenses	548	512
Marketing	8,683	8,156
Payment card expenses*	6,786	565
Total	**62 ,958**	**56,914**

*The issuance of payment cards were transferred at the end of the year 2015 to Savings Banks Group. Therefore there is no comparable expense in the comparison year.

Other operating expenses		
Rental expenses	4,011	3,008
Expenses arising from owner-occupied property	6,192	6,738
Other operating expenses**	8,783	8,836
Total	**18,986**	**18,582**
Other operating expenses	**81,944**	**75,496**

****Audit fees**		
Statutory audit	400	444
Audit related services	41	57
Tax advisory	13	17
Other services	34	52
Total	**488**	**571**

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

(EUR 1,000)	1-12/2016	1-12/2015
Depreciation and amortisation of property, plant and equipment	5,635	6,080
Depreciation and amortisation of intangible assets	4,978	4,611
Total depreciation and amortisation	**10,613**	**10,691**
Impairment of property, plant and equipment	119	47
Total impairment	**119**	**47**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	**10,732**	**10,737**

NOTE 17: INCOME TAXES

(EUR 1,000)	1-12/2016	1-12/2015
Current tax	-15,651	-12,398
Tax for prior years	105	-9
Change in deferred tax assets	624	2,382
Change in deferred tax liabilities	2,593	-2,015
Income taxes	**-12,329**	**-12,041**
Other direct taxes	-77	-39
Total income taxes	**-12,406**	**-12,080**

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	69,603	69,699
Differences between accounting and taxable profit	-7,048	-9,612
Taxable profit	**62,555**	**60,087**
Tax using the domestic corporate tax rate	-13,921	-13,993
Tax-exempt income	935	559
Non-deductible expenses	-73	-25
Unrecognised deductible expenses	277	1,220
Unrecognised taxable income	-16	-1,116
Use of approved tax losses for prior years	313	1,463
Recognition of previously unrecognised tax losses	-27	-178
Tax for prior years	105	-9
Tax expense	**-12,406**	**-12,080**
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

31.12.2016 (EUR 1,000)	Loans and receivables	Available-for-sale	Held-to-maturity	Held-for-trading	Designated as at fair value on initial recognition	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and cash equivalents	1,100,784							1,100,784
Financial assets at fair value through profit or loss					118,055			118,055
Loans and advances to credit institutions	20,855							20,855
Loans and advances to customers	6,942,744							6,942,744
Derivatives				72,024				72,024
hedging derivatives				71,852				
of which cash flow hedging				5,678				
of which fair value hedging				66,174				
other than hedging derivatives				172				
Investment assets		1,217,701	46,454				42,625	1,306,780
Life insurance assets*		187,205			518,043		3,127	708,374
Total assets	**8,064,383**	**1,404,906**	**46,454**	**72,024**	**636,098**	**0**	**45 ,751**	**10,269,616**
Financial liabilities at fair value through profit or loss					108,595			108,595
Liabilities to credit institutions						227,049		227,049
Liabilities to customers						6,121,627		6,121,627
Derivatives				2,289				2,289
hedging derivatives				2,247				
of which fair value hedging				2,247				
other than hedging derivatives				42				
Debt securities issued						2,049,588		2,049,588
Life insurance liabilities*					515,377	146,574	2,376	664,327
Subordinated liabilities						121,735		121,735
Total liabilities	**0**	**0**	**0**	**2,289**	**623,972**	**8,666,574**	**2,376**	**9,295,210**

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

31.12.2015 (EUR 1,000)	Loans and receivables	Available -for-sale	Held-to -maturity	Held-for -trading	Designated as at fair value on initial recognition	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and cash equivalents	546,340							546,340
Financial assets at fair value through profit or loss				1,359	160,875			162,234
Loans and advances to credit institutions	74,522							74,522
Loans and advances to customers	6,312,589							6,312,589
Derivatives				70,845				70,845
hedging derivatives				70,600				
of which cash flow hedging				5,499				
of which fair value hedging				65,100				
other than hedging derivatives				245				
Investment assets		1,178,887	49,011				42,691	1,270,588
Life insurance assets*		156,312			422,345		3,210	581,866
Total assets	**6,933,452**	**1,335,198**	**49,011**	**72,204**	**583,220**	**0**	**45,900**	**9,018,986**

Financial liabilities at fair value through profit or loss					144 071			144,071
Liabilities to credit institutions						351,241		351,241
Liabilities to customers						5,914,898		5,914,898
Derivatives				1,588				1,588
hedging derivatives				1,588				
of which cash flow hedging				4				
of which fair value hedging				1,585				
Debt securities issued						1,042,238		1,042,238
Life insurance liabilities*					395,788	147,043	1,404	544,236
Subordinated liabilities						146,336		146,336
Total liabilities	**0**	**0**	**0**	**1,588**	**539,860**	**7,601,756**	**1,404**	**8,144,608**

* 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)	31.12.2016	31.12.2014
Cash	17,829	19,347
Receivables from central banks repayable on demand	1,082,955	526,993
Cash and cash equivalents	**1,100,784**	**546,340**

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

(EUR 1,000)	31.12.2016	31.12.2015
Trading assets		
Debt securities		
Debt securities from others	0	488
Shares and participations	0	871
Total	**0**	**1,359**
Designated as at fair value through profit or loss on initial recognition		
Debt securities		
Debt securities from public entities	438	396
Debt securities from others	9,022	16,408
Shares and participations*	108,595	144,071
Total	**118,055**	**160,875**
Financial assets at fair value through profit or loss	**118,055**	**162,234**

* 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)	31.12.2016	31.12.2015
Loans and advances to credit institutions		
Deposits	19,232	72,461
Loans and other receivables	1,623	2,062
Total	**20,855**	**74,522**
Loans and advances to customers		
Used overdrafts	82,767	78,586
Loans	6,520,581	5,915,292
Interest subsidized housing loans	279,612	252,007
Loans granted from government funds	4,037	5,353
Credit cards	82,383	81,213
Guarantees	2,350	2,091
Other receivables	2,168	4,010
Impairment losses	-31,155	-25,963
Total	**6,942,744**	**6,312,589**
Total loans and advances	**6,963,599**	**6,387,111**

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**

Impairment losses on loans and receivables (EUR 1,000)	Measured by individual contract	Measured by group	Total
Impairments 1 January 2015	**21,862**	**5,698**	**27,560**
+ increase in impairment losses	7,976	1,299	9,275
-reversal of impairment losses	-1,884	-1,297	-3,181
-final write-offs	-7,691		-7,691
Impairments 31 December 2015	**20,263**	**5,701**	**25,963**

NOTE 22: DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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 recorded in other comprehensive income. The ineffective portion of cash flow hedging totalled EUR - 172 thousand in the financial year 2016 and was recorded 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**

31.12.2015	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Other than hedging derivatives						
Credit derivatives	10,000	5,000		15,000	245	
Total	**10,000**	**5,000**	**0**	**15,000**	**245**	**0**
Hedging derivative contracts						
Fair value hedging	**166,587**	**900,350**	**274,000**	**1,340,937**	**65,100**	**1,588**
Interest rate derivatives	120,000	795,000	274,000	1,189,000	63,223	490
Equity and index derivatives	46,587	105,350		151,937	1,877	1,099
Cash flow hedging	**15,000**	**50,000**		**65,000**	**5,499**	
Interest rate derivatives	15,000	50,000		65,000	5,499	
Total	**181,587**	**950,350**	**274,000**	**1,405,937**	**70,600**	**1,588**
Derivatives total					**70,845**	**1,588**

In the financial year 2015, EUR -1,231 thousand of effective cash flow hedging was recorded in other comprehensive income. The ineffective portion of cash flow hedging totalled EUR 317 thousand in the financial year 2015 and was recorded 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	1,467	3,680	1,137	6,284
Total	**1,467**	**3,680**	**1,137**	**6,284**

NOTE 23: INVESTMENT ASSETS

(EUR 1,000)	31.12.2016	31.12.2015
Available-for-sale financial assets		
Debt securities	700,564	678,791
Shares and participations	517,137	500,096
Total	**1,217,701**	**1,178,887**
Held-to-maturity investments		
Debt securities	46,454	49,011
Total	**46,454**	**49,011**
Investment property	42,625	42,691
Investment assets	**1,306,780**	**1,270,588**

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**

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

31.12.2015 (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	636,161	494,922		494,922	47,001	1 178,084
From public entities	137,718				46,002	183,720
From others	498,443	494,922		494,922	999	994,364
Other than quoted	42,630	3,183	1,991	5,174	2,010	49,814
From others	42,630	3,183	1,991	5,174	2,010	49,814
Total	**678,791**	**498,104**	**1,991**	**500,096**	**49,011**	**1,227,898**

* 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 2015	**1,267**	**1,198**	**2,465**
+ increase in impairment losses		231	231
-reversal of impairment losses	-50		-50
Impairment losses 31 December 2015	**1,217**	**1,429**	**2,646**

NOTE 24: LIFE INSURANCE ASSETS

(EUR 1,000)	31.12.2016	31.12.2015
Investments covering for unit-linked policies		
At fair value through profit or loss		
Investment funds	330,174	265,857
Asset management portfolios	93,696	71,656
Other unit-linked covering assets	92,637	59,632
Investments covering for unit-linked policies total	**516,506**	**397,146**
Other investments		
At fair value through profit or loss		
Debt securities	1,537	25,199
Total	**1,537**	**25,199**
Available-for-sale financial assets		
Debt securities	8,243	17,446
Shares and participations	178,961	138,866
Total	**187,205**	**156,312**
Other investments total	**188,741**	**181,511**
Life insurance investments	**705,247**	**578,657**
Other assets		
Other receivables	2,846	2,639
Accrued income	280	571
Total	**3,127**	**3,210**
Total life insurance assets	**708,374**	**581,866**

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)	31.12.2016			31.12.2015		
	Debt securities	Shares and participations	Derivatives	Debt securities	Shares and participations	Derivatives
Quoted	1,537	516,506		25,199	397,146	
From others	1,537	516,506		25,199	397,146	
Total	**1,537**	**516,506**	**0**	**25,199**	**397,146**	**0**

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**

Available-for-sale life insurance financial assets

31.12.2015	Available-for-sale Debt securities	Available-for-sale shares and participations
(EUR 1,000)	At fair value	At fair value
Quoted	15,366	131,222
From others	15,366	131,222
Other than quoted	2,080	7,644
From others	2,080	7,644
Total	**17,446**	**138,866**

Investment property

(EUR 1,000)	2016	2015
Acquisition cost 1 January	0	367
Decreases	0	-367
Acquisition cost 31 December	**0**	**0**

NOTE 25: INVESTMENTS IN ASSOCIATES

Information on the material associates of the Group:

Name	Domicile	Sector	Ownership (%)	Share of votes (%)	Ownership (%)	Share of votes (%)
			31.12.2016	31.12.2016	31.12.2015	31.12.2015
Oy Samlink Ab	Espoo	Software design and manufacturing	42.00	44.70	42.00	44.70
Aktia Real Estate Mortgage Bank Plc	Helsinki	Lending	0.00	0.00	31.61	16.08

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.

The purpose of Aktia Real Estate Mortgage Bank was to provide competitive and cost efficient financial services subject to the Mortgage Act through low-cost fund-raising. The services were to be transmitted by the partners/owners without creating a separate sales channel for the company. The Savings Banks Group hold 16.08 % of the voting rights in Aktia Real Estate Mortgage Bank. However, according to the shareholders' agreement the Savings Banks Group exercised significant influence over Aktia Real Estate Mortgage Bank, whereby the company was consolidated in the Group's financial statements as an associated company.

In September 2012, the operations of Aktia Real Estate Mortgage Bank Plc were restricted by decision of the Board of Directors of Aktia Real Estate Mortgage Bank to the management and refinancing of existing residential mortgage loans. In October 2015, Savings Banks agreed to sell their minority share in Aktia Real Estate Mortgage Bank to Aktia Bank and to merge Aktia Real Estate Mortgage Bank with Aktia Bank. The Savings Banks Group sold its holdings in the company to Aktia Bank in September 2016. Aktia Real Estate Mortgage Bank was consolidated in the consolidated financial statements using the equity method until the time of divestment, when the Group's significant control over the company ended with the transaction.

Summarised financial information about material associates based on the companies' own financial statements:	Oy Samlink Ab	Oy Samlink Ab	Aktia Real Estate Mortgage Bank Plc
(EUR 1,000)	2016	2015	2015
Total assets	32,208	32,084	950,462
Total liabilities	11,831	12,990	815,913
Revenue	99,436	99,415	0
Total operating revenue	99,477	99,487	317
Profit or loss	4,552	6,163	-1,357
Other comprehensive income	0	0	-215
Total comprehensive income	4,552	6,163	-1,572
Dividends received from the associate during the period	1,374	629	169

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	20,378	19,094	134,549
Group ownership	42.00 %	42.00 %	31.61 %
Adjustments	1,473	1,470	3,348
Carrying amount of the associate in the Group's statement of financial position	**7,086**	**6,549**	**39,183**

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 2016	Ownership 2015
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)	31.12.2016	31.12.2015
Owner-occupied property		
Land and water	1,073	1,093
Buildings	46,824	47,072
Machinery and equipment	4,934	5,008
Other tangible assets	872	850
Advance payments and construction in progress	3,007	7
Property, plant and equipment	**56,711**	**54,029**

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
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**	**0**	**-64,872**
Carrying amount 31 December	**47,897**	**4,934**	**872**	**3,007**	**56,711**

31.12.2015					
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	79,260	33,250	1,659	17	114,187
Increases	326	1,817	47		2,191
Decreases	-1,178	-661		-10	-1,849
Transfers between items	52				52
Revaluation	14				14
Acquisition cost 31 December	**78,476**	**34,407**	**1,706**	**7**	**114,595**
Accumulated depreciation and impairments 1 January	-29,287	-28,131	-816		-58,233
Depreciation for the financial year	-3,293	-2,019	-45		-5,356
Impairments for the financial year	-2				-2
Decreases	2,270	751	4		3,025
Accumulated depreciation and impairments 31 December	**-30,311**	**-29,399**	**-856**	**0**	**-60,566**
Carrying amount 31 December	**48,164**	**5,008**	**850**	**7**	**54,029**

NOTE 27: INTANGIBLE ASSETS

(EUR 1,000)	31.12.2016	31.12.2015
Intangible rights	9,799	11,245
Other intangible assets	9,651	2,644
Intangible assets under development	9,687	5,240
Intangible assets	**22,137**	**19,129**

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.

31.12.2016				
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**

31.12.2015				
Changes in intangible assets (EUR 1,000)	Intangible rights	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	19,561	16,266	4,471	40,298
Increases	2,089	941	3,167	6,197
Decreases	-187	-265	-1	-454
Transfers between items	2,088		-2,396	-308
Acquisition cost 31 December	**23,551**	**16,942**	**5,240**	**45,733**
Accumulated depreciation and impairments 1 January	-8,923	-12,865		-21,788
Depreciation for the financial year	-3,471	-1,804		-5,276
Decreases	88	371		460
Accumulated depreciation and impairments 31 December	**-12,306**	**-14,298**		**-26,604**
Carrying amount 31 December	**11,245**	**2,644**	**5,240**	**19,129**

NOTE 28: DEFERRED TAXES

(EUR 1,000)	31.12.2016	31.12.2015
Deferred tax assets	3,385	1,075
Income tax receivables	592	2,238
Tax assets	**3,977**	**3,313**
Deferred tax liabilities	62,699	59,236
Income tax liability	3,705	2,886
Tax liability	**66,403**	**62,122**

(EUR 1,000)	31.12.2016	31.12.2015
Deferred tax assets		
Impairments	1,253	1,133
Financial assets	2,196	3,944
Property, plant and equipment	874	737
Defined benefit pension plans	290	207
Approved tax losses	1,897	1,378
Other	613	460
Netting of deferred taxes	-3,739	-6,784
Total	**3,385**	**1,075**

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 2019-2026.

(EUR 1,000)	31.12.2016	31.12.2015
Deferred tax liabilities		
Appropriations	48,257	48,669
Financial assets	14,326	12,309
Cash flow hedges	976	913
Intangible assets	1,429	2,056
Property, plant and equipment	1,444	2,095
Other	5	-21
Netting of deferred taxes	-3,739	-6,784
Total	**62,699**	**59,236**

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
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	31.12.2015
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**

2015 (EUR 1,000)	1.1.2015	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2015
Deferred tax assets								
Impairment	0	1,133						1,133
Financial assets	989		2,955					3,944
Cash flow hedges	47			-47				0
Property, plant and equipment	846	-109						737
Defined benefit pension plans	388	-26			-155			207
Approved tax losses	455	924						1,378
Other	0	460						460
Netting of deffered taxes	0						-6,784	-6,784
Total	**2,725**	**2,382**	**2,955**	**-47**	**-155**	**0**	**-6,784**	**1,075**

2015 (EUR 1,000)	1.1.2015	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31.12.2015
Deferred tax liabilities								
Appropriations	51,189	3,041					-5,561	48,669
Financial assets	13,301	18	-1,009					12,309
Cash flow hedges	1,206			-293				913
Intangible assets	2,538	-500				78	-60	2,056
Property, plant and equipment	2,588	-523					29	2,095
Other	0	-21						-21
Netting of deffered taxes	0						-6,784	-6,784
Total	**70,822**	**2,015**	**-1,009**	**-293**	**0**	**78**	**-12,376**	**59,236**

NOTE 29: OTHER ASSETS

(EUR 1,000)	31.12.2016	31.12.2015
Payment transfer receivables	374	172
Accrued income and prepaid expenses		
Interest	33,568	35,080
Other accrued income and prepaid expenses	21,478	7,413
Other	8,699	5,538
Other assets	**64,119**	**48,202**

LIABILITIES AND EQUITY

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

(EUR 1,000)	31.12.2016	31.12.2015
Other financial liabilities at fair value through profit or loss*	108,595	144,071
Financial liabilities at fair value through profit or loss	**108,595**	**144,071**

* 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.

LIABILITIES

NOTE 31: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31.12.2016	31.12.2015
Liabilities to credit institutions		
Liabilities to Central Banks	18,000	90,000
Liabilities to credit institutions	209,049	261,241
Total	**227,049**	**351,241**
Liabilities to customers		
Deposits	6,059,467	5,845,755
Other financial liabilities	4,362	5,914
Change in the fair value of deposits	57,798	63,229
Total	**6,121,627**	**5,914,898**
Liabilities to credit institutions and customers	**6,348,676**	**6,266,139**

NOTE 32: DEBT SECURITIES ISSUED

(EUR 1,000)	31.12.2016	31.12.2015
Measured at amortised cost		
Bonds	1 ,213,851 *	910,009
Secured bonds	498,460 **	0
Other		
Certificates of deposit	337,277	132,228
Other	0	1
Debt securities issued	**2,049,588**	**1,042,238**
Of which		
Variable interest rate	642,607	154,256
Fixed interest rate	1,406,981	887,982
Total	**2,049,588**	**1,042,238**

* During the financial year, Central Bank of Savings Banks issued senior unsecured bonds with a total value of EUR 524 million under the EMTN programme listed on the Irish Stock Exchange, of which EUR 250 million were through a public two-year emission.

** In November, Sp Mortgage Bank established a programme of EUR 3 billion of covered bonds, within which the Bank issued a covered bond of EUR 500 million. 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)	31.12.2016	31.12.2015
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	146,574	147,043
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	425,835	341,881
Liabilities for unit-linked investment contracts	89,541	53,908
Reserve arising from liability adequacy test	0	0
Other liabilities		
Accrued expenses and deferred income	1,651	1,177
Other	725	227
Life insurance liabilities	**664,327**	**544,236**

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	0		
Total	**661,951**	**60,934**	

Liabilities for insurance policies

(EUR 1,000)	Liability 2015	Number of contracts 2015	Duration 2015
Other than unit-linked contracts			
Guaranteed-interest insurance contracts			
Savings insurance			
Rate of guaranteed interest 3.5 %	2,215	42	10.2
Rate of guaranteed interest 2.5 %	16,007	490	9.4
Rate of guaranteed interest 0.0 %	111,319	3,261	8.7
Individual pension insurance			
Rate of guaranteed interest 3.5 %	1,788	133	5.6
Rate of guaranteed interest 2.5 %	5,823	723	10.7
Rate of guaranteed interest 0.0 %	7,685	529	19.9
Group pension insurance (defined contribution, rate of guaranteed interest 0.0 %)	1,418	96	3.8
Capital redemption contracts (rate of guaranteed interest 0.0 %)	333	3	0.3
Term insurance	457	35,253	3.9
Unit-linked contracts			
Unit-linked insurance contracts			
Savings insurance	264,236	11,474	12.4
Individual pension insurance	69,276	10,842	21.8
Group pension insurance	2,038	91	8.7
Capital redemption contracts	6,331	51	15.9
Unit-linked investment contracts	53,908	293	11.4
Reserve arising from liability adequacy test	0		
Total	**542,831**	**63,281**	**12.8**

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 %	31.12.2016
Subordinated loans	4.00 %	297
Other		
Debentures	2.20 %	121,438
Subordinated liabilities		**121,735**

(EUR 1,000)	Average interest rate %	31.12.2015
Subordinated loans	4.00 %	297
Other		
Debentures	2.11 %	146,039
Subordinated liabilities		**146,336**

More information on debenture loans is presented in Pilar III note 49.

NOTE 35: PROVISIONS AND OTHER LIABILITIES

(EUR 1,000)	31.12.2016	31.12.2015
Other liabilities		
Payment transfer liabilities	64,291	50,057
Other liabilities	9,057	14,561
Total other liabilities	**73,349**	**64,618**
Accrued expenses		
Interest payable	12,431	17,252
Interest advances received	1,352	1,803
Other accrued expenses	19,643	16 233
Total accured expenses	**33,427**	**35,289**
Provisions		
Pension provisions	1,576	1,172
Other provisions	280	888
Total provisions	**1,856**	**2,060**
Provisions and other liabilities	**108,631**	**101,967**

(EUR 1,000)	2016	2015
Change in provisions		
1 January	2,060	2,090
Increase in other provisions	280	888
Decrease in contribution plans	-888	-150
Decrease in defined benefit plans	403	-768
31 December	**1,856**	**2,060**

NOTE 36: CAPITAL AND RESERVES

(EUR 1,000)	31.12.2016	31.12.2015
Basic capital	20,338	20,338
Reserves		
Primary capital	34,475	34,475
Reserve for invested non-restricted equity	60,354	59,122
Reserve fund	69,669	68,076
Fair value reserve	37,523	21,163
Reserve for hedging instruments	3,905	3,651
Other reserves	85,435	81,278
Retained earnings		
Profit (loss) for previous financial years	561,347	513,996
Profit (loss) for the financial year	56,361	56,135
Total equity attributable to equity holders of the Group	**929,408**	**858,235**
Non-controlling interests	23,994	22,458
Total equity	**953,402**	**880,694**

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)	2016	2015
Fair value reserve 1 January	21,163	35,540
Profit/loss from fair value measurements, shares and participations	30,359	19,578
Profit/loss from fair value measurements, securities	12,983	-10,759
Deferred tax from fair value measurements	-4,367	3,690
Share of the changes in fair value reserve of associates	0	0
Non-controlling interest's share of the changes in fair value reserve	-698	1,860
Reclassified to income statement	-21,918	-28,746
Fair value reserve 31 December	**37,523**	**21,163**

Specification of changes in the reserve for hedging instruments (EUR 1,000)	2016	2015
Reserve for hedging instruments 1 January	3,651	4,568
Profit/loss from fair value measurements, derivatives hedging cash flow	146	-912
Share of the changes in reserve for hedging instruments of associates	0	68
Deferred tax from fair value measurements	-64	246
Reclassified to income statement	172	-319
Reserve for hedging instruments 31 December	**3,905**	**3,651**

OTHER NOTES

NOTE 37: COLLATERALS

(EUR 1,000)	31.12.2016	31.12.2015
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Pledges	37,628	61,316
Loans *	703,492	0
Other	16,284	31,494
Collateral given	**757,404**	**92,810**
Collateral received		
Real estate collateral	6,584,761	5,966,659
Securities	42,032	37,952
Other	73,282	66,638
Guarantees received	60,575	64,718
Collateral received	**6,760,650**	**6,135,967**

*Loans given as collateral for the secured bond of EUR 500 million which Sp Mortgage Bank Plc issued in November 2016.

NOTE 38: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	31.12.2016	31.12.2015
Guarantees	63,467	66,665
Loan commitments	487,120	388,321
Other	8,120	8,564
Off balance-sheet commitments	**558,707**	**463,550**

NOTE 39: THE ABOVE TABLE SHOWS THE SENSITIVITY OF FAIR VALUE

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.

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

31.12.2015				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held/given as collateral	Cash held/given as collateral	Net amount
Assets							
Derivative contracts				69,946	15,858	39,048	15,040
Total				**69,946**	**15,858**	**39,048**	**15,040**
Liabilities							
Derivative contracts				1,468		400	1,068
Total				**1,468**	**0**	**400**	**1,068**

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, fair value are mainly measured by discounting future cash flows using market interest rates at the balance sheet date. In respect of cash and deposits payable on demand, the nominal value is considered equivalent to the fair value.

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

The 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 2016, there were no transfers between levels 1 and 2.

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**

* 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 Financial assets (EUR 1,000)	Carrying amount	Fair value by hierarchy level Level 1	Level 2	Level 3	Fair value total
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**
Asset Management and Life Insurance					
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**	**0**	**0**	**68,410**	**68,410**

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

* Includes liabilities for unit-linked insurance and investment contracts which are reported on level 1 in accordance of the underlying investment.

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3

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

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

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

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

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)	Effect of hypothetical changes' on profit		
31.12.2016	Carrying amount	Positive	Negative
At fair value through profit or loss			
Banking	8,811	315	-315
Asset Management and Life Insurance	1,537	16	-16
Total	**10,348**	**331**	**-331**
Derivative contracts			
Banking, assets	1,239		-1,239
Total	**1,239**	**0**	**-1,239**
Available-for-sale financial assets			
Banking	28,684	1,767	-1,767
Asset Management and Life Insurance	5,076	761	-761
Total	**33,760**	**2,529**	**-2,529**
Total	**45,348**	**2,860**	**-4,099**

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

31.12.2015	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	18,163	3,732		14,431	**18,163**
Asset Management and Life Insurance*	422,345	416,645		5,700	**422,345**
Other operations**	144,071	144,071			**144,071**
Derivative contracts					
Banking	70,845		68,723	2,122	**70,845**
Available-for-sale financial assets					
Banking	1,178,427	1,133,307	6,502	38,618	**1,178,427**
Asset Management and Life Insurance	156,312	147,518		8,794	**156,312**
Other operations	460	460			**460**
Measured at amortised cost					
Investments held-to-maturity					
Banking	49,011	49,357	2,033	299	**51,690**
Loans and receivables					
Banking	6,933,452		8,215,007	12,892	**8,227,899**
Total financial assets	**8,973,086**	**1,895,091**	**8,292,264**	**82,856**	**10,270,211**
Investment property					
Banking	42,691			67,057	**67,057**
Total	**42, 691**	**0**	**0**	**67,057**	**67,057**

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

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

31.12.2015	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*	395,788	395,788			**395,788**
Other operations**	114,071	144,071			**144,071**
Derivative contracts					
Banking	1,588		490	1,099	**1,588**
Measured at amortised cost					
Banking	7,454,713	793,117	6,255,764	431,632	**7,480,513**
Total financial liabilities	**7,996,161**	**1,332,977**	**6,256,254**	**432,730**	8,021,961

* Includes liabilities for unit-linked insurance and investment contracts which are reported on level 1 in accordance of the underlying investment.

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3.

Financial instruments at fair value through profit or loss (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2015	**16,927**	**15,314**	**32,241**
Purchases	2,294		2,294
Sales	-2,050	-10,837	-12,887
Matured during the financial year	-1,200		-1,200
Changes in value recognised in income statement, realised	-64	935	871
Changes in value recognised in income statement, unrealised	-728	288	-440
Transfers to level 1 and 2	-748		-748
Carrying amount 31 December 2015	**14,431**	**5,700**	**20,130**

Changes in fair 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 2015	**1,500**	**0**	**1,500**
Purchases	1,139		1,139
Sales	-1,050		-1,050
Changes in value recognised in income statement, unrealised	-565		-565
Carrying amount 31 December 2015	**1,024**	**0**	**1,024**

Changes in fair 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 2015	**100,922**	**6,957**	**107,879**
Purchases	8,750	8,813	17,563
Sales	-8,467	-5,714	-14,181
Matured during the financial year	-22,166	-9	-22,175
Changes in value recognised in income statement, realised	511	126	638
Changes in value recognised in income statement, unrealised	-62		-62
Changes in value recognised in comprehensive income statement	-184	-1,379	-1,563
Transfers from level 1 and 2	7		7
Transfers to level 1 and 2	-40,693		-40,693
Carrying amount 31 December 2015	**38,618**	**8,794**	**47, 412**

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

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)	Effect of hypothetical changes' on profit		
31.12.2015	Carrying amount	Positive	Negative
At fair value through profit or loss			
Banking	14,431	529	-529
Asset Management and Life Insurance	5,700	323	-323
Total	**20,130**	**852**	**-852**
Derivative contracts			
Banking, assets	2,122		-2,122
Banking, liabilities	-1,099	1,099	
Total	**1,024**	**1,099**	**-2,122**
Available-for-sale financial assets			
Banking	38,618	1,610	-1,610
Asset Management and Life Insurance	8,794	1,243	-1,143
Total	**47,412**	**2,853**	**-2,853**
Total	**68,566**	**4,804**	**-5,828**

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 instrumetns 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

Pension insurance company is responsible for statutory pension provision (TyEL) for the Savings Banks Group and it is a defined contribution plan. 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. Local tax laws and other legislation regulate the arrangements.

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 assets in the arrangement include 100 % qualifying insurances. As the obligations are insured, the Group's responsible has no significant risks. 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.

(EUR 1,000)	31.12.2016	31.12.2015
Present value of obligation	15,907	13,546
Fair value of plan assets	14,331	12,374
Liability in balance sheet 31 December	**1,576**	**1,172**
Actuarial assumptions		
Discount rate, %	1.20%	1.60 %
Pay development, %	1.90%	2.10 %
Pension increase, %	0.00 - 1.65%	0.00 - 1.80 %

(EUR 1,000)	2016	2015
Current service cost	895	1,031
Previous service cost	93	0
Net interest	10	28
Costs recognised in income statement	998	1,059
Remeasurements	243	-777
Comprehensive income before tax	**1,241**	**282**
Present value of obligation 1 January	13,546	12,410
Current service cost	895	1,031
Previous service cost	93	0
Interest expense	215	220
Actuarial gains (-) / losses (+) arising from experiential adjustments	0	291
Actuarial gains (-) / losses (+) arising from changes in economic expectations	612	-9
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	801	-207
Benefits paid	-255	-190
Present value of obligation 31 December	**15,907**	**13,546**
Fair value of plan assets 1 January	12,374	10,470
Interest expense	205	193
Return on plan assets excl. items in interest expense/income	1 170	852
Benefits paid	-255	-190
Contributions	837	1,050
Fair value of plan assets 31 December	**14,331**	**12,374**
Present value of obligation	15,907	13,546
Fair value of plan assets	14,331	12,374
Liability in balance sheet 31 December	**1,576**	**1,172**
Liability in balance sheet 1 January	1,172	1,940
Costs in income statement	998	1,059
Contributions	-837	-1,050
Remeasurements in comprehensive income statement	243	-777
Liability in balance sheet 31 December	**1,576**	**1,172**

Sensitivity analysis - net liability

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

	2016	2015
Change in discount rate +0.50%	-168	-182
Change in discount rate -0.50%	259	209
Change in pay development +0.50%	200	203
Change in pay development -0.50%	-132	-195
Change in pensions + 0.5 %	715	612
Change in pensions - 0.5 %	-586	-553

Duration based on the weighted average is 16 (17) years.

The Savings Banks Group expects to contribute approximately EUR 774 (1,043) thousand to defined benefit plans in 2017.

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)	31.12.2016	3,1.12.2015
Future minimum lease payments under non-cancellable operating leases payable		
Less than one year	1,682	2,542
Between one and five years	8,249	3,332
More than five years	4,809	672
Total	**14,740**	**6,546**

Savings Banks Group as lessor

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

(EUR 1,000)	31.12.2016	31.12.2015
Future minimum lease payments under non-cancellable operating leases receivable		
Less than one year	1,713	1,575
Between one and five years	5,329	2,888
More than five years	2,664	2,822
Total	**9,706**	**7,286**

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:		**31.12.2016**	**31.12.2015**
Nooa Savings Bank Ltd	Helsinki	78.10 %	78.10 %
Central Bank of Savings Banks Finland Plc	Espoo	94.73 %	94.73 %
Sp-Fund Management Company Ltd	Helsinki	92.57 %	92.57 %
Savings Banks' Union Coop	Espoo	100.00 %	100.00 %
SP Back Office Oy	Eurajoki	100.00 %	100.00 %
SP Taustataiturit Oy	Somero	100.00 %	100.00 %
Sb Life Insurance Ltd	Espoo	81.22 %	81.22 %
Sp-Koti Oy	Espoo	100.00 %	100.00 %
Säästöpankkien Holding Oy	Helsinki	80.10 %	80.10 %
Sp Mortgage Bank Plc (former Sp-KLP Palvelu Oy)	Espoo	100.00 %	100.00 %

Consolidated mutual funds:			
Säästöpankki Yrityslaina	Helsinki	35.32 %	45.28 %
Säästöpankki High Yield	Helsinki	50.00 %	64.60 %
Säästöpankki Lyhytkorko	Helsinki		37.58 %
Säästöpankki Kehittyvät korkomarkkinat	Helsinki	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	76.00 %	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 (%)	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	673,968

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.

Subsidiary	Domicile	Non-controlling ownership (%)	Equity allocated to non-controlling interests
		2015	2015
Nooa Savings Bank Ltd	Helsinki	21.90	9,811
Central Bank of Savings Banks Finland Plc	Espoo	5.27	2,565
Sb Life Insurance Ltd	Espoo	18.78	8,113

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)	2015	2015	2015
Loans and advances	594,428	1,439,433	
Life insurance assets			580,286
Other assets	156,898	108,479	3,422
Liabilities	707,472	1,501,269	553,017

In addition, the Savings Banks Group includes companies with non-controlling interest in ownership of 5.78-44.00% and in equity EUR 1,969 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. Three mutual funds were consolidated in the Group's financial statements on 31 December 2016 (3 31 December 2015).

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. 2016		21.12.2015	
(EUR 1,000)	Total assets	Total liabilities	Total assets	Total liabilities
Total mutual funds	173,479	108,595	254,560	144,071

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 1,000)	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

(EUR 1,000)	31.12.2015			
	Total assets	Total liabilities	Group investment	Maximum exposure to loss
Total mutual funds	1,312,426	1,312,426	111,042	111,042

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 5,493 (7,657) thousand, are included in the other comprehensive income of the Group. During the financial year 2016, a total of EUR 4,638 (5,863) thousand 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 Directors of Savings Banks' Union Coop has defined the related parties of the Savings Banks Group. The related parties of the Savings Banks Group's comprise the entities consolidated in the Group's financial statements, associated companies and key management personnel as well as their close family members. In addition, related parties comprise entities which the key management personnel and/or their close family members control. The key management personnel of the Savings Banks Group comprise the members and deputy members of the Supervisory Board, the members of the Board of Directors, the Managing Director and his deputy as well as the Executive Board of Savings Banks' Union Coop.

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

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				
Interest income	49	22	141	210
Interest expense	-49	-3		-53
Insurance premiums	242	76		317
Fee and commission income	4	3	219	225
Other expenses			-36,626	-36,626
Impairments				0
Total	**245**	**97**	**-36,267**	**-35,927**

* Including key management personnel and their close family members

** Including entities which the key management personnel or their close family members control

Key management personnel compensation (EUR 1,000)	2016	2015
Short-term employee benefits	2,026	2,450
Post-employment benefits	0	97
Other long-term benefits	192	0
Termination benefits	0	211
Total	**2,218**	**2,758**

2015 (EUR 1,000) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	5,185	1,504	6,514	13,203
Total assets	**5,185**	**1,504**	**6,514**	**13,203**
Liabilities				
Deposits	27,116	1,792	2,380	31,288
Other liabilities	2,178	579	3,201	5,958
Total liabilities	**29,295**	**2,371**	**5,581**	**37,247**
Off balance-sheet commitments				
Loan commitments	129	243	4,877	5,249
Guarantees	10			10
Total	**139**	**243**	**4,877**	**5,259**
Revenue and expense				
Interest income	57	19	1,440	1,517
Interest expense	-52	-5	-144	-202
Insurance premiums	1,120	63		1,184
Fee and commission income	3	2	160	165
Fee and commission expense			-402	-402
Other expenses			-35,349	-35,349
Impairments				0
Total	**1,129**	**80**	**-34,296**	**-33,087**

* Including key management personnel and their close family members

** Including entities which the key management personnel or their close family members 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 note. Corporate governance disclosure information and remuneration are included in 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 Mortgage Bank Plc as well as the companies within the consolidation groups of the above-mentioned entities and Sp-Fund Management Company Ltd. Savings Banks' Union Coop acts as the Central Institution of the Amalgamation.

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

Capital adequacys main items

Own Funds (EUR 1,000)	31.12.2016	31.12.2015
Common Equity Tier 1 (CET1) capital before regulatory adjustments	915,685	849,784
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-27,835	-25,252
Common Equity Tier 1 (CET1) capital	**887,850**	**824,531**
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)	**887,850**	**824,531**
Tier 2 (T2) capital before regulatory adjustments	48,717	44,776
Total regulatory adjustments to Tier 2 (T2) capital	0	4,956
Tier 2 (T2) capital	**48,717**	**49,732**
Total capital (TC = T1 + T2)	**936,567**	**874,263**
Risk weighted assets	**4,805,436**	**4,643,728**
of which: credit and counterparty risk	4,250,278	4,097,876
of which: credit valuation adjustment (CVA)	98,561	104,611
of which: market risk	35,147	47,483
of which: operational risk	421,450	393 759
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.5 %	17.8 %
Tier 1 (as a percentage of total risk exposure amount)	18.5 %	17.8 %
Total capital (as a percentage of total risk exposure amount)	19.5 %	18.8 %
Capital requirement		
Total capital	936,567	874,263
Capital requirement total *	504,571	487,591
Capital buffer	431,996	386,672

*The capital requirement of 10.5% is formed by the statutory minimum capital adequacy requirement of 8%, the capital conservation buffer of 2.5% according to the Act on Credit Institutions, and the country-specific countercyclical capital requirements of foreign exposures.

NOTE 48: TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE

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	0	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	0	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)	
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)
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)
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 gain 1		
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481,00
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	0	
	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**	**0**	
44	**Additional Tier 1 (AT1) capital**	**0**	
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 quolifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	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		
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)	0	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	0	467, 468, 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)		
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)	18.5	92 (2) (a), 465
62	Tier 1 (as a percentage of total risk exposure amount)	18.5	92 (2) (b), 465
63	Total capital (as a percentage of total risk exposure)	19.5	92 (2) (c)
	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)	35,355	"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) (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)		62,00
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62,00
	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)	0	484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase ous arrangements	0	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	0	484 (5), 486 (4) & (5)
85	Amount exscluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)

31.12.2015 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	54,670	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Ordinary shares	54,670	EBA list 26 (3)	
2	Retained earnings	498,225	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves)	238,213	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	56,613	26 (2)	
6	**Common Equity Tier 1 (CET1) capital bedore regulatory adjustments**	**847,721**		
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjutments (negative amount)	-3,651	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-17,227	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)		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)	-2,312	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)
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 gain 1		
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481,00
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)**	**-23,190**	
29	**Common Equity Tier 1 (CET1) capital**	**8,24,531**	
	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)**	**824,531**		
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	44,776	62, 63	16,461
47	Amount of qoulifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	4,956	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**	**49,732**		**16,461**
	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**	**0**		**0**
58	**Tier 2 (T2) capital**	**49,732**		**16,461**
59	**Total capital (TC = T1 + T2)**	**874,263**		**16,461**

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**	**4,643,728**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)		92 (2) (a), 465
62	Tier 1 (as a percentage of total risk exposure amount)		92 (2) (b), 465
63	Total capital (as a percentage of total risk exposure)		92 (2) (c)
	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)	35,536	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)	66,855	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)		62,00
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62,00
	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

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	25/08/20	3,650	5,000
Aito Säästöpankki Oy	FI4000207030	1,500	23/08/21	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	15/08/21	1,849	2,000
Eurajoen Säästöpankki	FI4000092606	3,000	02/06/19	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	26/08/19	1,172	2,211
Liedon Säästöpankki	FI4000153630	2,000	18/08/20	1,301	1,791
Liedon Säästöpankki	FI4000176474	2,000	17/02/21	2,801	3,390
Liedon Säästöpankki	FI4000201645	2,000	18/08/21	2,171	2,344
Liedon Säästöpankki	FI4000223946	2,000	21/02/22	2,341	2,341
Myrskylän Säästöpankki	FI4000099353	3,000	26/09/19	905	1,655
Myrskylän Säästöpankki	FI4000157482	2,100	26/10/20	620	812
Nooa Savings Bank Ltd	FI0002002577	1,684	18/09/17	71	500
Nooa Savings Bank Ltd	FI4000090287	2,750	14/06/19	1,206	2,461
Nooa Savings Bank Ltd	FI4000108469	1,922	10/12/19	863	1,468
Nooa Savings Bank Ltd	FI4000108477	1,672	10/12/19	776	1,319
Nooa Savings Bank Ltd	FI4000153523	2,500	04/08/20	1,026	1,428
Nooa Savings Bank Ltd	FI4000170626	2,750	21/12/20	2,389	3,007
Nooa Savings Bank Ltd	FI4000201520	1,500	20/07/21	1,304	1,433
Nooa Savings Bank Ltd	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**

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

2015 (EUR 1,000)					
Issuer	ISIN	Interest rate	Maturity	Amount recognised in regulatory capital	Balance sheet value
Aito Säästöpankki Oy	FI4000024344	3,750	24/05/16	700	1,000
Aito Säästöpankki Oy	FI4000102686	2,500	12/11/19	6,186	8,000
Aito Säästöpankki Oy	FI4000153903	2,000	25/08/20	4,652	5,000
Avain Säästöpankki ja Ylihärmän Säästöpankki	FI4000099320	2,550	15/10/19	3,032	4,000
Avain Säästöpankki ja Ylihärmän Säästöpankki	FI4000153622	2,250	15/10/20	4,313	4,500
Eurajoen Säästöpankki	FI4000092606	3,000	02/06/19	660	5,513
Eurajoen Säästöpankki	FI4000157169	2,600	30/11/20	3,525	3,584
Helmi Säästöpankki Oy	FI4000032982	0,586	21/11/16	280	400
Helmi Säästöpankki Oy	FI4000157516	2,000	22/10/20	1,695	1,762
Huittisten Säästöpankki	FI4000024112	0,462	23/05/16	433	618
Huittisten Säästöpankki	FI4000031547	0,324	21/11/16	433	618
Huittisten Säästöpankki	FI4000071543	2,850	18/11/18	829	5,000
Kalannin Säästöpankki	FI4000031059	0,390	05/10/16	280	400
Kalannin Säästöpankki	FI4000108584	2,500	24/11/19	2,340	3,000
Liedon Säästöpankki	FI4000024146	0,319	18/05/16	604	863
Liedon Säästöpankki	FI4000031604	0,224	21/11/16	714	1,020
Liedon Säästöpankki	FI4000096896	2,500	26/08/19	1,615	2,211
Liedon Säästöpankki	FI4000153630	2,000	18/08/20	1,660	1,791
Liedon Säästöpankki	FI4000176474	2,000	17/02/21	2,673	2,673
Myrskylän Säästöpankki	FI4000029400	3,250	21/09/16	252	360
Myrskylän Säästöpankki	FI4000099353	3,000	26/09/19	1,237	1,655
Myrskylän Säästöpankki	FI4000157482	2,100	26/10/20	783	812
Nooa Savings Bank Ltd	FI0002002577	1,867	18/09/17	172	500
Nooa Savings Bank Ltd	FI4000090287	2,750	14/06/19	1,700	2,461
Nooa Savings Bank Ltd	FI4000108469	3,000	10/12/19	1,158	1,468
Nooa Savings Bank Ltd	FI4000108477	2,750	10/12/19	1,040	1,319
Nooa Savings Bank Ltd	FI4000153523	2,500	04/08/20	1,312	1,428
Nooa Savings Bank Ltd	FI4000170626	2,750	21/12/20	2,992	3,007
Someron Säästöpankki	FI4000104823	1,500	14/11/19	1,203	1,553
Someron Säästöpankki, Avain Säästöpankki ja Ylihärmän Säästöpankki	FI4000024377	3,500	16/05/16	1,260	1,800
Total				**49,732**	**68,317**

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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	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00
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	12/08/14	25/05/15	23/05/16	23/06/14	11/05/15	02/05/16	02/06/14	08/06/15
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	12/11/19	25/08/20	23/08/21	15/10/19	15/10/20	15/08/21	02/06/19	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 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	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	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00
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	22/06/15	18/11/13	24/09/14	26/05/14	18/05/15	17/11/15	18/05/16	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	26/08/19	18/08/20	17/02/21	18/08/21	21/02/22
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 Säästö-pankki	Myrskylän Säästö-pankki	Nooa Savings Bank Ltd	Nooa Savings Bank Ltd	Nooa Savings Bank Ltd	Nooa Savings Bank Ltd	Nooa Savings Bank Ltd	Nooa Savings Bank Ltd
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	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00
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	26/06/14	26/06/15	18/09/07	14/04/14	10/09/14	10/09/14	04/05/15	21/09/15
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	26/09/19	26/10/20	18/09/17	14/06/19	10/12/19	10/12/19	04/08/20	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 Savings Bank Ltd	Nooa Savings Bank Ltd	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	1,00	1,00	1,00	N/A
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders' equity
11	Original date of issuance	20/04/16	19/09/16	14/08/14	
12	Perpeptual or dated	Dated	Dated	Dated	Perpetual
13	Original maturity date	20/07/21	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

Commission implementing regulation (EU) No 1423/2013	31.12.2015 (EUR 1,000)	AITD025019	AITD032515	AITD037516	AVAD0255019	EURDVAIH19	EURDVAIHA5	HSPD035015	HSPDVAIH16
1	Issuer	Aito Säästöpankki	Aito Säästöpankki	Aito Säästöpankki	Avain Säästöpankki	Avain Säästöpankki ja Ylihärmän Säästöpankki	Eurajoen Säästöpankki	Eurajoen Säästöpankki	Helmi Säästöpankki Oy
2	Unique identifier (ISIN)	FI4000153903	FI4000102686	FI4000024344	FI4000153622	FI4000099320	FI4000157169	FI4000092606	FI4000157516
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	4,652	6,186	700	4,313	3,032	3,525	660	1,695
9	Nominal amount of instrument	5,000	8,000	1,000	4,500	4,000	3,584	5,513	1,762
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	25/05/15	12/08/14	24/05/11	11/05/15	23/06/14	08/06/15	02/06/14	22/06/15
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	25/08/20	12/11/19	24/05/16	15/10/20	15/10/19	30/11/20	02/06/19	22/10/20
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	Floating	Fixed to floating	Fixed	Fixed to floating
18	Coupon rate and any related index	2.00%	2.5%	3.75%	2.25%	2.55%	2.6%	Floating Euribor 12-month + 2.0 % (minimum rate 3.0 %)	2.00%
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 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	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	31.12.2015 (EUR 1,000)	HUID028518	HUIDVAIH15	HUIDVAIH16	HUIDVAIHA5	HUIDVAIHA6	KALDVAIH15	KALDVAIH16	KALDVAIH19
1	Issuer	Helmi Säästöpankki Oy	Huittisten Säästöpankki	Huittisten Säästöpankki	Huittisten Säästöpankki	Kalannin Säästöpankki	Kalannin Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki
2	Unique identifier (ISIN)	FI4000032982	FI4000071543	FI4000024112	FI4000031547	FI4000031059	FI4000108584	FI4000024146	FI4000096896
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 62 and 64	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	280	829	433	433	280	2,340	604	1,615
9	Nominal amount of instrument	400	5,000	618	618	400	3 000	863	2,211
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	21/11/11	18/11/13	23/05/11	21/11/11	05/10/11	24/09/14	18/05/11	26/05/14
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	21/11/16	18/11/18	23/05/16	21/11/16	05/10/16	24/11/19	18/05/16	26/08/19
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	Fixed	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	Fixed 3.0 % (first year), thereafter 12-month + 0.25 %	2.85%	Fixed 3.30 % (first year), thereafter floating Euribor 12-month + 0.3 %	Fixed 3.0 % (first year), thereafter 12-month + 0.25 %	Fixed 3.0 % (first year), thereafter 12-month + 0.25 %	Fixed 2.5% (first year), thereafter floating Euribor 12-month + 0.5%(minimum rate 2.5 %)	Fixed 3.5% (first year), thereafter floating Euribor 12-month+ 0.15%	12- month Euribor + 0.50% (minimum rate 2.50 %)
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	31.12.2015 (EUR 1,000)	LIEDVAIH15	LIEDVAIH16	LIEDVAIH19	LIEDVAIHA5	LIEDVAIHA6	MYRD030019	MYRD032516	NOOADEB2012
1	Issuer	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Myrskylän Säästöpankki	Myrskylän Säästöpankki	Myrskylän Säästöpankki	Nooa Savings Bank Ltd	Nooa Savings Bank Ltd
2	Unique identifier (ISIN)	FI4000153630	FI4000176474	FI4000031604	FI4000157482	FI4000099353	FI4000029400	FI0002002577	FI4000090287
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 62 and 62	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 62	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	1,660	2,673	714	783	1,237	252	172	1,700
9	Nominal amount of instrument	1,791	2,673	1,020	812	1,655	360	500	2 461
9a	Issue price	100	100	100	100	100	100	99,773333	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	18/05/15	17/11/15	21/11/11	26/06/15	26/06/14	21/09/11	18/09/07	14/04/14
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	18/08/20	17/02/21	21/11/16	26/10/20	26/09/19	21/09/16	18/09/17	14/06/19
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	Fixed to floating	Fixed to floating	Floating	Fixed to floating	Fixed to 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 %)	Fixed 3.50% (first year), thereafter floating Euribor 12-month + 0.15 %	2.10%	3%	3.25%	3-month Euribor + 2.0%	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	31.12.2015 (EUR 1,000)	NOSD027519	NOSDVAIH19	NOSDVAIH19A	PARD032515	PARD035016	SSPDVAIH19	Share capital
1	Issuer	Nooa Savings Bank Ltd	Nooa Savings Bank Ltd	Nooa Savings Bank Ltd	Nooa Savings Bank Ltd	Someron Säästöpankki, Avain Säästöpankki ja Ylihärmän Säästöpankki	Someron Säästöpankki	
2	Unique identifier (ISIN)	FI4000108477	FI4000108469	FI4000153523	FI4000170626	FI4000024377	FI4000104823	N/A
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[CET1]
5	Post-transitional CRR rules	[N/A]	[N/A]	[N/A]	[T2]	[T2]	[N/A]	[CET1]
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 62 and 63	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 28
8	Amount recognised in regulatory capital	1,040	1,158	1,312	2,992	1,260	1,203	54,670
9	Nominal amount of instrument	1,319	1,468	1,428	3,007	1,800	1,553	N/A
9a	Issue price	100	100	100	100	100	100	N/A
9b	Redemption price	100%	100%	100%	100%	100%	100%	N/A
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders' equity
11	Original date of issuance	10/09/14	10/09/14	04/05/15	21/09/15	16/05/11	14/08/14	
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Perpetual
13	Original maturity date	10/12/19	10/12/19	04/08/20	21/12/20	16/05/16	14/11/19	N/A
14	Issuer call subjet to prior supervisory approval	Yes	Yes	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	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	Fixed	Fixed to floating	Fixed to floating	Fixed	Fixed	Fixed to floating	floating
18	Coupon rate and any related index	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 %	Fixed 2.5% until 4.8.2017, thereafter floating 12-month euribor + 1.25%. (minium rate 1.25%	Fixed 2.75% until 21.12.2017, thereafter 12-month Euribor + 1.0%. (minium rate 1.0%)	3,50%	Fixed 2.50 % (first year), thereafter 12-month Euribor + 0.5%	N/A
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	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary
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	No
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 behind share and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	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	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
37	Tarkenna mahdolliset vaatimustenvastaiset ominaisuudet	Pääoma ei kokonaisuudessaan 5v. hallussa	Pääoma ei kokonaisuudessaan 5v. hallussa	Pääoma ei kokonaisuudessaan 5v. hallussa	Pääoma ei kokonaisuudessaan 5v. hallussa	Pääoma ei kokonaisuudessaan 5v. hallussa	Pääoma ei kokonaisuudessaan 5v. hallussa	N/A

NOTE 50: RECONCILIATION OF OWN FUNDS

Reconciliation of own funds

(EUR 1,000)	31.12.2016	31.12.2015
Total shareholders' equity (IFRS)	**953,402**	**880,694**
Deductions	-37,717	-30,910
CET1 capital before statutory adjustments	**915,685**	**849,784**
Profit for the period	-2,199	-2,062
Cash flow hedging	-3,905	-3,651
Intangible assets	-19,217	-17,227
Difference in deferred tax assets	-2,513	-2,312
Total CET1 capital	**887,850**	**824,531**

NOTE 51: MINIMUM CAPITAL REQUIREMENT

Credit and counterparty risk	31.12.2016	31.12.2016	31.12.2015	31.12.2015
Exposure class (EUR 1,000)	Risk weighted assets	Capital requirement	Risk weighted assets	Capital requirement
Exposures to central governments or central banks			181	15
Exposures to regional governments or local authorities	415	33	283	23
Exposures to public sector entities				
Exposures to multilateral development banks	250	20		
Exposures to international organisations				
Exposures to institutions	54,902	4,392	74,140	5,931
Exposures to corporates	917,146	73,372	867,793	69,423
Retail exposures	830,590	66,447	825,740	66,059
Exposures secured by mortgages on immovable property	1,727,994	138,240	1,542,079	123,366
Exposures in default	53,687	4,295	48,392	3,871
Exposures associated with particularly high risk	6,806	545	5,218	417
Exposures in the form of covered bonds	5,376	430	5,687	455
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)	420,818	33,665	420,694	33,656
Equity exposures	97,589	7,807	199,770	15,982
Other items	134,706	10,776	107,897	8,632
Credit risk total	4,250,278	340,022	4,097,876	327,830
Credit valuation adjustment (CVA)	98,561	7,885	104,611	8,369
Market risk	35,147	2,812	47,483	3,799
Operational risk	421,450	33,716	393,759	31,501
Total	**4,805,436**	**384,435**	**4,643,728**	**371,498**

NOTE 52: TOTAL EXPOSURE

Credit and counterparty risk 31.12.2016

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

Credit and counterparty risk 31.12.2015

Exposure class (EUR 1,000)	Balance sheet items	Off balance sheet items	Derivatives	Total
Exposures to central governments or central banks	728,211	397		728,608
Exposures to regional governments or local authorities	17,579	2,221		19,800
Exposures to public sector entities	1,203			1,203
Exposures to multilateral development banks	2,622			2,622
Exposures to international organisations	3,091			3,091
Exposures to institutions	127,151	10,597	99,833	237,581
Exposures to corporates	873,311	69,483	15,000	957,794
Retail exposures	1,426,682	286,380		1,713,062
Exposures secured by mortgages on immovable property	4,428,318	93,902		4,522,220
Exposures in default	61,123	402		61,525
Exposures associated with particularly high risk	3,479			3,479
Exposures in the form of covered bonds	45,045			45,045
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)	468,656			468,656
Equity exposures	99,487			99,487
Other items	130,261			130,261
Total	**8,416,219**	**463,381**	**114,833**	**8,994,433**

NOTE 53: CREDIT RISK EXPOSURES BY RISK WEIGHTS

Credit and counterpart risk

Risk weight (%)	31.12.2016 (EUR 1,000)	31.12.2015 (EUR 1,000)
0	1 778,221	1 121,045
10	40,943	44,307
20	173,211	247,827
35	5,069,804	4,502,667
50	79,893	97,842
75	1,407,545	1,377,576
100	1,599,350	1,471,161
150	57,977	65,003
250	25,259	66,855
350	0	150
1250	0	0
Total exposure	**10,232,203**	**8,994,433**

NOTE 54: CREDIT RISK EXPOSURES BY MATURITY

Credit and counterparty risk

(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	0					
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	0					
Exposures to institutions and corporates with a short-term credit assesment	0					
Exposures in the form of units or shares in collective investment undertakings (CIUs)	483,476					483,476
Equity exposures	59,715					59,715
Other items	154,671	93,650		100		60,922
Total exposures	**10,232,203**	**1,228,492**	**277,433**	**1,229,686**	**1,495,515**	**6,001,078**

(EUR 1,000)	31.12.2015					
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	728,608	12,311	22,854	138,010	175,100	380,333
Exposures to regional governments or local authorities	19,800	573	5	2,377	6,880	9,964
Exposures to public sector entities	1,203			1,203		
Exposures to multilateral development banks	2,622	299			2,243	80
Exposures to international organisations	3,091			3,091		
Exposures to institutions	237,581	165,500	6,066	42,659	12,811	10,545
Exposures to corporates	957,794	37,729	58,944	389,020	140,064	332,036
Retail exposures	1,713,062	53,914	55,661	301,201	406,160	896,127
Exposures secured by mortages on immovable property	4,522,220	40,681	67,749	406,475	793,315	3,213,999
Exposures in default	61,525	28,893	3,258	4,050	5,811	19,513
Exposures associated with particularly high risk	3,479					3,479
Exposures in the form of covered bonds	45,045			30,524	14,521	
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)	468,656					468,656
Equity exposures	99,487					99,487
Other items	130,261	32,019		70		98,172
Total exposures	**8,994,433**	**371,919**	**214,536**	**1,318,682**	**1,556,906**	**5,532,390**

NOTE 55: CREDIT RISK EXPOSURES BY BUSINESS SEGMENTS

Credit and counterparty risk

(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	0					
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 particulary 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**

(EUR 1,000)	31.12.2015					
Exposure class	Total	Other	Private customers	Agricultural	Corporate	-of which SME exposures
Exposures to central governments or central banks	728,608	255,192	385,874	15,683	71,859	
Exposures to regional governments or local authorities	19,800	11,141		295	8,364	
Exposures to public sector entities	1,203	1,200	2			
Exposures to multilateral development banks	2,622	2,622				
Exposures to international organisations	3,091	3,091				
Exposures to institutions	237,581	237,202	274	15	90	
Exposures to corporates	957,794	153,659	75,881	120,439	607,815	131,135
Retail exposures	1,713,062	62,597	844,537	300,515	505,413	357,944
Exposures secured by mortages on immovable property	4,522,220	136,178	3,797,388	201,036	387,619	359,099
Exposures in default	61,525	1,960	33,057	4,387	22,121	
Exposures associated with particularly high risk	3,479	3,479				
Exposures in the form of covered bonds	45,045	43,732			1,313	
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)	468,656	468,656				
Equity exposures	99,487	82,944		192	16,351	
Other items	130,261	130,261				
Total exposures	**8,994,433**	**1,593,913**	**5,137,012**	**642,563**	**1,620,945**	**848,178**

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

Credit and counterparty risk

(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	0			
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**

(EUR 1,000)	31.12.2015			
Exposure class	Total exposures	Guarantees	Financial guarantees	Other guarantees
Exposures to central governments or central banks	728,608			
Exposures to regional governments or local authorities	19,800		38	
Exposures to public sector entities	1,203			
Exposures to multilateral development banks	2,622			
Exposures to international organisations	3,091			
Exposures to institutions	237,581			
Exposures to corporates	957,794	35,016	6,880	128
Retail exposures	1,713,062	297,512	36,695	1,279
Exposures secured by mortages on immovable property	4,522,220			5,880,512
Exposures in default	61,525	1,895	329	14
Exposures associated with particularly high risk	3,479			
Exposures in the form of covered bonds	45,045			
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)	468,656			
Equity exposures	99,487			
Other items	130,261			
Total exposures	**8,994,433**	**334,423**	**43,942**	**5,881,934**

NOTE 57: THE GEOGRAPHICAL DISTRIBUTION OF RELEVANT CREDIT EXPOSURES

Credit and counterparty risk

(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	0		
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 immovable 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**

(EUR 1,000)	31.12.2015		
Exposure class	Total	Finland	Other countries
Exposures to central governments or central banks	728,608	612,074	116,534
Exposures to regional governments or local authorities	19,800	19,800	
Exposures to public sector entities	1,203	1,203	
Exposures to multilateral development banks	2,622		2,622
Exposures to international organisations	3,091		3,091
Exposures to institutions	237,581	185,772	51,809
Exposures to corporates	957,794	851,423	106,371
Retail exposures	1,713,062	1,709,332	3,730
Exposures secured by mortages on immovab-le property	4,522,220	4,516,125	6,095
Exposures in default	61,525	61,420	105
Exposures associated with particularly high risk	3,479	3,479	
Exposures in the form of covered bonds	45,045	17,165	27,880
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)	468,656	320,410	148,246
Equity exposures	99,487	92,334	7,153
Other items	130,261	130,261	
Total exposures	**8,994,433**	**8,520,797**	**473,637**

NOTE 58: ASSET ENCUMBRANCE

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

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

31.12.2015 (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	**106,610**	**106,610**	**8,385,056**	**0**
Equity instruments			570,559	
Debt securities	106,610	106,610	652,322	
Other assets			7,162,175	

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**	**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	**90,000**	**106,610**		

Information about the importance of assets encumbrance

The Amalgamation has used collateral of securities in the balance with a fair value of EUR 106,610 thousand.

The Amalgamation's received securities is not pledged as collalteral. Information on the situation 31 December 2015.

NOTE 59: OPERATIONAL RISK

(EUR 1,000)	2016	2015	2014	2013	2012	capital requirement
Cross income total	237,005	216,160	221,155	192,699		
Profit indicator	35,551	32,424	33,173	28,905		33,716

(EUR 1,000)	2015	2014	2013	2012	2011	capital requirement
Cross income total	216,160	221,155	192,699			
Profit indicator	32,424	33,173	28,905			31,501

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)		31.12.2016	31.12.2015
1	Total assets as per published financial statements	9,634,323	8,491,667
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0	0
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 "CRR")	0	0
4	Adjustments for derivative financial instruments	28,888	34,988
5	Adjustments for securities financing transactions "SFTs"	0	0
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	210,883	463,381
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)	0	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0	0
7	Other adjustments	-72,261	-45,552
8	**Total leverage ratio exposure**	**9,801,832**	**8,944,483**

Leverage ratio common disclosure		CRR leverage ratio exposures 31.12.2016	31.12.2015
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	9,504,627	8,389,462
2	(Asset amounts deducted in determining Tier 1 capital)	-25,635	-23,190
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	9,478,992	8,366,272
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	83,070	79,700
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	28,888	35,133
11	Total derivative exposures	111,958	114,833
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	584,558	463,381
18	Adjustments related to credit conversion factors	-373,675	0
19	Other off-balance sheet exposures	210,883	463,381
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)			
Capital and total exposures			
20	Tier 1 capital	887,850	824,531
21	Total leverage ratio exposures	9,801,832	8,944,486
Leverage ratio			
22	Leverage ratio	9.06%	9.22 %
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	0	0
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	0	0

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		CRR leverage ratio exposures	
		31.12.2016	31.12.2015
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	9,504,627	8,389,459
EU-2	Trading book exposures	0	0
EU-3	Banking book exposures, of which:	9,504,627	8,389,459
EU-4	Covered bonds	41,592	45,045
EU-5	Exposures treated as sovereigns	1,651,362	1,030,266
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	1,933	0
EU-7	Institutions	33,375	128,465
EU-8	Secured by mortgages of immovable properties	4,963,506	4,428,318
EU-9	Retail exposures	1,139,536	1,132,552
EU-10	Corporate	924,375	881,214
EU-11	Exposures in default	48,669	43,874
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	700,279	699,725

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 2016. The report and the Financial Statements are presented to the General Meeting of Savings Banks' Union Coop on 16th March 2017.

In Espoo 16 February 2017

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

Jussi Hakala
Chairman of the Board

Matti Saustila
Vice chairman of the Board

Hans Bondén
Member of the Board

Pirkko Ahonen
Member of the Board

Toivo Alarautalahti
Member of the Board

Kalevi Hilli
Member of the Board

Hanna Kivelä
Member of the Board

Jan Korhonen
Member of the Board

Pasi Kämäri
Managing Director

Auditor's endorsement

Our auditor's report has been issued today

Espoo, 16 February 2017

KPMG Oy Ab

Petri Kettunen
Authorised Public Accountant

Savings Banks Group's original Financial Statement is in Finnish. This is an English version thereof.

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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 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement 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 performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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.

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.

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 6, 943 million, are the most significant item in the Savings Banks Group's consolidated balance sheet representing 67 percent of the total assets on 31 December 2016.
- 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 20 percent of the total assets. In the financial statements for 2016 financial assets measured at fair value comprise investment assets EUR 1, 218 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 705 million, derivatives EUR 72 million and financial assets at fair value through profit and loss EUR 118 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 662 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, and compared the assumptions to industry development and market information, 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 in a manner explained in more detail in the notes to the financial statements, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and 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 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 Savings Banks Group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the 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 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 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 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

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report.

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 identified above 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 on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Espoo 16 February 2017

KPMG OY AB

Petri Kettunen
Authorised Public Accountant KHT

Savings Bank

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