SAVINGS BANKS GROUP'S

Half- year Report 1 January-30 June 2016

SAVINGS BANKS GROUP'S HALF-YEAR REPORT 1 JANUARY–30 JUNE 2016

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Savings Banks Group's Half-year Report 1 January – 30 June 2016

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

Solvent Savings Banks Group is becoming one of the largest banking groups in Finland

The Savings Banks Amalgamation and the new Savings Banks Group commenced their operations on 31 December 2014. In the short operating period, the Group has already risen to become one of the top names in the Finnish banking market through its determined, customer-oriented work.

The first half of the year was successful for the Savings Banks Group's business operations, even though we did not reach the result of the comparison period. All parts of the Savings Banks Group did good work in order to strengthen the competitiveness of Savings Banks. The business operations of the Savings Banks Group are developing well and growing as expected, strongly and in the right direction. Through the growth strategy, the Savings Banks Group is ensuring capital adequacy by good financial performance and maintaining moderate risk positions.

Most importantly, the positive customer satisfaction results have confirmed that, in the midst of rapid changes, the Savings Banks Group has succeeded changing according to the wishes of its customers. Customers value the services they receive and their satisfaction with the operation of Savings Banks is at an excellent level.

The Savings Banks Group has continued to be successful in benefitting from a wide range of refinancing channels on the international capital markets thanks to the good credit rating. This gives the Group a strong position and the possibility to handle the financing needs of current and future customers.

Sp Mortgage Bank operations strengthen competitiveness even further

The Savings Banks Group is also strengthening its competitiveness and operations on the international capital market through the establishment of new mortgage bank, Sp Mortgage Bank Plc. Sp Mortgage Bank was granted authorisation to mortgage bank operations by the European Central Bank on 21 March 2016. It is the first Finnish bank in history to apply for and be granted authorisation from the European Central Bank.

The objective of Sp Mortgage Bank is to strengthen the competitiveness of the Savings Banks Group through competitive funding and to promote the strategy of the Savings Banks Group.

The Savings Bank Centre began its operations on 1 May

As part of the restructuring of the Savings Banks Group, the decision was made to establish a Savings Bank Centre. The new entity will be created through everyday operations as part of the Savings Banks Group's determined work to build its competitiveness and strengthen its operational prerequisites. In all our operations, we set our sights on the customer and on achieving the main goal of the Savings Banks Group: we promote saving and our customers' financial well-being close to the customer by providing solutions based on their needs.

The establishment of the Savings Bank Centre marks the start of the creation of a first-class provider of retail banking expertise, promoting competitiveness and providing an even better banking group for the customer with our eyes on the future. The Savings Bank Centre is the a functional organisation within the Group focusing on service development. The following companies are part of the Savings Bank Centre: Sp-Fund Management Company Ltd, Sb Life Insurance Ltd, Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sp-Koti Oy and Savings Banks' Union Coop, which retain their legal status and continue to be responsible for their operations as before.

Digital tools and digital banking play a key role in providing customers with an opportunity to use all the services regardless of time and place in the future. The Savings Banks Group is there by the customer's side—not as a faceless actor, but rather as a safe, people-oriented bank backed by strong savings bank experience and a local background, bringing its own service concept to you at home.

Our operations have a strong foundation: customer satisfaction is at an excellent level, decision-making is close to the customer, financial performance and capital adequacy are strong and risk position is moderate.

Profit for the period

For the first half of the year, the Savings Banks Group's profit before tax was EUR 40.2 million and 25.8% of revenue (EUR 49.0 million, 29.8%). The profit before tax decreased by 18.0% from the comparison period.

The profit for the period was EUR 32.3 million (EUR 40.9 million). Revenue during the review period was EUR 155.8 million, falling by 5.3% from the comparison period.

The Savings Banks Group's net interest income and net fee and commission income developed positively. The Group's result was hindered by the decrease in net investment and life insurance income, which was due to market turbulence and the general uncertainty in the investment environment and the economy.

Net interest income was EUR 64.7 million, showing an increase of 3.5 % from the comparison period. Net fee and commission income and expenses grew by 5.1% to EUR 35.4 million (EUR 33.6 million). Net investment income was EUR 9.8 million (EUR 18.3 million), decreasing by 46.2% from the comparison period. Net life insurance income was EUR 5.1 million (EUR 17.4 million), representing a decrease of 70.5% from the comparison period.

The Savings Banks Group's operating expenses were EUR 82.3 million (EUR 79.1 million), growing by 4.0% from the comparison period. The Group's cost to income ratio was 61.4% (55.9%). The Savings Banks Group has invested significantly in developing the group structure, increasing competitiveness and developing digital services, while maintaining the current service network.

The Savings Banks Group's risk position has remained at a good level. The solvency of the Savings Banks Amalgamation has remained good, with defaulted and impaired receivables at a low level.

Visa Europe transaction

At the end of 2015, the Board of Directors of Visa Europe agreed to sell the company to United States Visa Inc. provided that the necessary authorities' permissions are received. Upon receiving the permissions, the transaction was completed on 21 June 2016.

The Savings Banks Group issued the cards in cooperation with Nets Ltd, which was a Visa Principal member, until it was transferred at the beginning of December 2015 to the full control of the Central Bank of Savings Banks Finland Plc. In the prior cooperation model, the Savings Banks Group's credit cards were issued by Nets Ltd, while debit and electron cards were issued by the Savings Banks Group.

There are still some legal and contractual issues regarding the Savings Banks Group's portion of the purchase price. For this reason, the exact, final profit gained by the Savings Banks Group will not become clear until the last half of the year. The Savings Banks Group has recorded EUR 8.4 million for the transaction under other operating income.

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. It comprises Savings Banks forming the Savings Banks Amalgamation, the Savings Banks' Union Coop which acts as the Central Institution and the subsidiaries and associated companies owned by the Savings Banks.

The member organisations of the Savings Banks Amalgamation (hereinafter also "the Amalgamation") form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop which acts as the Central Institution of the Amalgamation, 23 Savings Banks, Sp Mortgage Bank Plc, the Central Bank of Savings Banks Finland Plc and the companies within the consolidation groups of the above-mentioned entities, as well as Sp-Fund Management Company Ltd. 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 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 Savings Banks' Union Coop's member credit institution starting from March 2016.

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

Description of the operational environment

Global economic outlook During the first half of 2016, the central banks continued to engage in exceptionally strong stimulating monetary policy. The main risk factors for economic stability were created by the slow in China's economic growth, the credibility of the central banks' measures from the perspective of the markets, the increase in political risks in Europe and the strong fall in raw material prices. Of the political risks, the most significant factor was the departure of the UK from the European Union. The departure will have a negative impact on economic growth and the development of the investment markets during the last half of the year. If the uncertainty continues for long, it is possible that the global economy will once again plunge into a recession. Global economic growth and world trade have slowed down significantly since the 2008 financial crisis, and the growth outlooks for the coming years remain at a low level. The growth of the global economy will remain close to the 3.5 per cent level in the coming years, with the slowdown in growth being strongest in China and the euro zone. This will have significant impacts on Europe and especially Finland.

In March 2016, the European Central Bank announced a significant recovery programme through which it aims to increase inflation expectations and increase lending in the euro zone. The ECB has committed to continuing its stimulating monetary policy, which, in the future, will focus stronger on recovery occurring by increasing the balance sheet rather than decreasing interest rates. In June 2016, the Central Bank began purchasing bonds issued by companies for the first time. At the same time, the Federal Reserve has been gradually normalising its monetary policy and increasing its key interest rate. This divergence of monetary policy is also reflected in changes in base price inflation in the euro zone and the United States. From the perspective of the euro zone and specifically the Central Bank, one of the largest problems has been deflationary pressure and low inflation expectations.

In the United States, improved outlooks for the labour markets and higher economic growth compared to the euro zone have created conditions for an increase in inflation. This places the Federal Reserve in a challenging situation, wherein it is trying to raise the key interest rate while at the same, the risks facing global economic growth are significant. From the perspective of investment markets, this increases uncertainty and leads to quick fluctuations in share prices. The increase in political risks in the euro zone is also a factor leading to uncertainty. The departure of the UK from the European Union may force the Central Banks to increase recovery measures in order to stabilise the investment markets and the economy. The European Union is living through the largest crisis in its history, and there is strong opposition to the integration process in several member states.

On the investment markets, the first quarter of the year was characterised by uncertainty, and the stock and corporate loan market saw a significant drop in total return index levels. Long-term interest rates dropped to a historical low due to market uncertainty and the ECB's securities purchases. Short-term interest rates also dropped strongly to a negative level, and it is unlikely that they will see an increase in the near future. Risk premiums on corporate loans saw growth in February due to uncertainty in the investment markets, but as a result of the strong demand and measures taken by the ECB, risk premiums had already dropped by the end of the first quarter. For the investment markets, the most significant change could be seen in the raw material markets. The price of crude oil dropped to its lowest rate since 2003. During the second quarter, levels of returns increased in all asset categories, and prices on the raw material markets also increased as investors' confidence improved.

For the second half of the year, uncertainty in the investment markets will remain at a high level and the focus will remain on the acknowledged risk factors for the global economy, such as China's economic development, political risks in Europe and the success of the Central Banks' monetary policy. The dependence of the investment markets on the stimulating monetary policy of the Central Banks poses a great risk, as the economic growth of companies is at a low level and there is little leeway when it comes to the drop in interest rates.

The economic situation in Finland The challenges to the Finnish economy have grown at a stronger rate than in the rest of the euro zone. Efforts to improve competitiveness and profitability have been delayed, while at the same time, the outlooks for the public economy have become weaker. The recently signed competitiveness pact is a step in the right direction in terms of restructuring, but the content of the measures agreed upon is insufficient. From the perspective of credit rating agencies, it is worrisome how difficult a process it was to reach this agreement, and there is little time left for implementing the next measures. Adapting to the sanctions placed on Russian trade is still under way, and the slowdown in global demand has forced the export industry to take adaptive measures and make reductions in the number of employees. The departure of the UK from the European Union will also increase uncertainty regarding the future of the Finnish export sector. The service and construction sectors are areas that have shown signs of recovery, which can be seen in the form of increased salary levels in those sectors. However, the indebtedness of the public economy is growing strongly, and the slow economic growth is not enough to bring enough tax revenue to cover the deficit. Deflation pressures can clearly be seen in the Finnish economy as inflation remains at nearly zero. Finland's credit rating continues to face pressure.

Housing market in Finland The Savings Bank Group expects the housing market to grow this year by a total of 2–5% and for prices to increase by 1–2% throughout the country. New construction is still expected to pick up. In the first half of the year, prices of old apartments in terraced houses and apartment blocks have been on the rise in the Helsinki Metropolitan Area, whereas prices in the rest of Finland saw a slight decrease.

The most significant positive drivers for housing trade were affordable loans and the improvement of their availability, as well as the slight recovery in consumer confidence. First-time home buyers have also returned to the markets. For the Finnish economy, construction activity represents a light at the end of the tunnel, and it is clearly growing brighter: According to Statistics Finland, the construction sector grew by 2.7 per cent from the previous quarter in January–March, and by as much as 8.0 per cent from the previous year. Housing construction has clearly been on the rise.

The optimism about the near future of the housing markets is tempered by the general development of the employment situation as well as volume of construction, which continues to be relatively low.

According to the views of the Savings Banks Group, however, the Finnish housing markets are, in any case, becoming more established. For the housing market, last year was a considerably more uniform year than the two preceding years, and the fluctuations within the year were also more normal.

The Savings Banks Group's profit and balance sheet

Savings Banks Group´s financial highlights

(EUR 1,000)	1-6/2016	1-12/2015	1-6/2015
Revenue*	155,812	298,475	164,545
Net interest income	64,735	125,018	62,571
% of revenue	41.5 %	41.9 %	38.0 %
Profit before taxes	40,201	69,699	49,024
% of revenue	25.8 %	23.4 %	29.8 %
Total operating revenue	125,499	230,531	131,887
Total operating expenses (excluding depreciations)	-77,115	-146,128	-73,676
Cost to income ratio	61.4 %	63.4 %	55.9 %
Total assets	9,718,969	9,189,391	9,227,971
Total equity	917,315	880,694	868,447
Return on equity %	3.6 %	6.7 %	4.8 %
Return on assets %	0.3 %	0.7 %	0.5 %
Equity/assets ratio %	9.4 %	9.6 %	9.4 %
Solvency ratio %	19.3 %	18.8 %	19.1 %
Impairment losses on loans and other receivables	-3,655	-6,127	-4,480

* revenue of 1-6/2015 has been restated to reflect the new recording of interest of the interest rate swaps hedging fair value.

Profit trends (comparison figures 1–6/2015)

Profit before tax of the Savings Banks Group was EUR 40.2 million (EUR 49.0 million), representing a decrease of 18.0%. Profit for the period was EUR 32.3 million, of which the share of the owners of the Group was EUR 32.0 million (EUR 38.4 million).

The Savings Banks Group's operating revenue totalled EUR 125.5 million (EUR 131.9 million). There was growth in net interest income, net fee and commission income and net income from other operations. Net investment income and net life insurance income saw a decrease.

Net interest income grew by 3.5% to EUR 64.7 million (EUR 62.6 million). The net interest income from derivatives used for hedging interest rate risk was EUR 10.5 million (EUR 11.4 million). Net interest income grew due to the start of the card business at the end of 2015. In the comparison period of 1–6/2015, the cards were still being issued by Nets Ltd. The issuance of Savings Banks Group cards was transferred in December 2015 to the Central Bank of Savings Banks. In the same connection, the Central Bank of Savings Banks purchased the credit portfolio of the clients of the Savings Banks Group from Nets Ltd, which had previously issued the credit cards.

Net fee and commission income grew by 5.1% to EUR 35.4 million (EUR 33.6 million). In particular, fees received fomr funds and the card business experienced growth.

Net investment income totalled EUR 9.8 million (EUR 18.3 million), i.e. it was 46.2% lower than in the comparison period. Net investment income is largely made up of realised gains on available-for-sale financial assets as well as net income from investment properties.

The net income from Life Insurance totalled EUR 5.1 million (EUR 17.4 million). Premiums written decreased by 13.6% year-on-year. The net investment income of the Life Insurance segment also decreased significantly, totalling EUR -0.6 million (EUR 31.8 million).

Other operating income amounted to EUR 10.1 million (EUR 1.4 million). Other operating income includes EUR 8.4 million related to the Visa Europe transaction.

Operating expenses grew by 4.0% to EUR 82.3 million (EUR 79.1 million).

Personnel expenses grew by 4.1% to EUR 37.8 million (EUR 36.3 million). Correspondingly, the number of the Savings Banks Group's personnel grew by 9.7%. The number of personnel as of 30 June 2016 was 1 349 (1 230).

Other administrative expenses grew by 9.1% to EUR 30.2 million (EUR 27.7 million). The most significant portion of the growth is due to the start of the card business and the resulting changes in the expense structure. Other operating expenses totalled EUR 9.1 million (EUR 9.7 million), representing growth of 5.8%.

The Group's cost to income ratio was 61.4% (55.9%). The cost to income ratio is calculated without the impact of depreciation and amortisation.

Depreciation and impairments on tangible and intangible assets stood at EUR 5.2 million (EUR 5.5 million) in the financial year.

Impairments on loans and other receivables were recognised for a total of EUR 3.7 million (EUR 4.5 million). When converted to annual figures, impairments on credits and other receivables were 0.11% (0.15 %) of the credit portfolio. Non-performing receivables remained at the level of the comparison period, and amounted to 1.01% of the credit portfolio (1.05%).

The Group's effective income tax percentage was 19.6% (16.5%).

Balance sheet and funding (comparison figures 31 December 2015)

The balance sheet of the Savings Banks Group totalled EUR 9.7 billion on 30 June 2016 (EUR 9.2 billion), representing growth of 5.8%. The Group's return on assets was 0.3% (0.5%).

Loans and advances to customers amounted to EUR 6.5 billion (EUR 6.3 billion), growing by 3.3% from the turn of the year. Loans and advances to credit institutions amounted to EUR 34.9 million (EUR 74.5 million). The Savings Banks Group's investment assets stood at EUR 1.3 billion (EUR 1.3 billion). Life insurance assets amounted to EUR 636.1 million (EUR 581.9 million).

Liabilities to customers amounted to EUR 6.0 billion (EUR 5.9 billion), showing a growth of 2.1%. Liabilities to credit institutions amounted to EUR 288.1 million (EUR 351.2 million). Debt securities issued stood at EUR 1.5 billion (EUR 1.0 billion). During the review period, the Central Bank of Savings Banks, a member of the Savings Banks Group, issued two-year senior unsecured bonds valued at a total of EUR 450 million under the EMTN programme listed on the Irish Stock Exchange. In addition, private placement bonds amounting to EUR 170 million have been issued under the programme. Life insurance liabilities were at EUR 598.0 million (EUR 544.2 million), representing growth of 9.9%.

The Savings Banks Group's equity totalled EUR 917.3 million (EUR 880.7 million), growing 4.2%. The share on non-controlling interests of own funds was EUR 23.3 million (EUR 22.5 million). The growth of Group equity is mainly due to the profit for the period. The change in the fair value recorded under other comprehensive income was EUR 5.5 million during the review period. The impact of cash flow hedging on equity was EUR 1.6 million. During the review period, other comprehensive income after tax totalled EUR 5.6 million (EUR -6.9 million). The Group's return on equity was 3.6% (4.8%).

Capital adequacy and risk position

Capital adequacy and leverage ratio

At the end of June 2016, the Savings Banks Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Own funds totalled EUR 916.8 million (EUR 874.3 million), of which CET1 capital accounted for EUR 859.0 million (EUR 824.5 million). The growth of CET1 capital was due to the profit for the period. During the review period, Tier 2 (T2) capital accounted for EUR 57.8 million (EUR 49.7 million), comprised of debentures. Risk-weighted assets amounted to EUR 4,748.8 million (EUR 4,643.7 million), i.e. they were 2.3% higher than at the end of the previous year. The most significant change related to the increase in risk-weighted assets was growth in the mortgage portfolio. The capital ratio of the Savings Banks Amalgamation was 19.3% (18.8%) and the CET1 capital ratio was 18.1% (17.8%).

At the beginning of 2015, the capital requirement on banks became higher as Finland adopted the capital conservation buffer and the countercyclical capital buffer. The capital conservation buffer increased the capital adequacy requirement from 8% to 10.5% when calculated on the basis of risk-weighted assets. The countercyclical capital buffer will vary between 0% and 2.5%. The decision on the adoption and percentage of the countercyclical capital buffer is made quarterly by the Board of the Financial Supervisory Authority on the basis of its macroprudential analysis. In the first half of 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 with the basic method on the foreign exchange position.

Savings Banks Amalgamation's capital adequacy's main items

Own Funds (EUR 1,000)	30.6.2016	31.12.2015
Common Equity Tier 1 (CET1) capital before regulatory adjustments	885,413	849,784
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-26,408	-25,252
Common Equity Tier 1 (CET1) capital	**859,005**	**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)	**859,005**	**824,531**
Tier 2 (T2) capital before regulatory adjustments	56,164	44,776
Total regulatory adjustments to Tier 2 (T2) capital	1,679	4,956
Tier 2 (T2) capital	**57,844**	**49,732**
Total capital (TC = T1 + T2)	**916,848**	**874,263**
Risk weighted assets	**4,748,785**	**4,643,728**
of which: credit and counterparty risk	4,191,406	4,097,876
of which: credit valuation adjustment (CVA)	121,843	104,611
of which: market risk	41,777	47,483
of which: market risk	393,759	393,759
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.1 %	17.8 %
Tier 1 (as a percentage of total risk exposure amount)	18.1 %	17.8 %
Total capital (as a percentage of total risk exposure amount)	19.3 %	18.8 %

Leverage ratio

The leverage ratio of the Savings Banks Amalgamation was 9.0% (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 liabilities. The Savings Banks Amalgamation monitors excessive indebtedness as part of the ICAAP process.

Leverage ratio

(EUR 1,000)	30.6.2016	31.12.2015
Tier 1 capital	859,005	824,531
Leverage ratio exposure	9,585,511	8,946,523
Leverage ratio	9.0 %	9.2 %

The Savings Banks Amalgamation's capital adequacy management is described in more detail in the Savings Banks Group's financial statements of 31 December 2015.

Risk position

Risk management and internal control of the Savings Banks Group is a part of the internal control framework applied within the Group and the Amalgamation. It is also at the core of the Group's operational activities. The Board of Directors of the Central Institution approves the main operating principles and risk strategies. It also decides on the use of necessary means of control in accordance with the operating principles of the Savings Banks Group.

In order to ensure that the Group's and the Amalgamation's risk management complies with the requirements, the Board is assisted by a Risk Committee, which is tasked with assisting the Board of the Central Institution in matters related to the risk strategy and risk taking as well as in ensuring that the Savings Banks Group complies with the risk strategy agreed on by the Board. In addition, the Central Institution is assisted by an Asset and Liability Committee, which provides assistance and guidance regarding the operations under the responsibility of the Risk Committee and ensures that the structural interest rate risk, investment risk and market risk of the Amalgamation remain at a level that ensures that the Amalgamation can operate without disruptions. The Asset and Liability Committee is also charged with coordinating the Amalgamation's refinancing and the arrangement of liquidity management in cooperation with the Treasury of the Central Bank of Savings Banks.

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

The risks affecting the operation of the Group are the credit risk, liquidity risk, interest rate risk of the financial account, operational risk and various business risks. The most significant of these risks is the credit risk.

The renewal of the credit rating models used by the Savings Banks continues in 2016. For corporate customers and agricultural entrepreneurs, the new credit rating models were taken into use in spring 2015, whereas the product-specific application models used for granting credit to private customers and the loan portfolio classification models for private customers' credit will be renewed by the end of 2016. The new credit rating models use a 14-step rating scale, wherein creditworthy customers are divided into 13 categories, and one is reserved for those with payment defaults.

The Savings Banks Group's risk position has remained at a good level. The solvency of the Savings Banks Amalgamation has remained good, with non-performing loans at a low level. The Group's risks and risk management are described in more detail in the Savings Banks Group's financial statements of 31 December 2015.

At the end of June, the Amalgamation's LCR was 195% (31 Dec. 2015: 184%).

Credit rating

At the end of May, Standard & Poor's Rating Services (S&P) confirmed that the credit rating of the Central Bank of Savings Banks Finland Plc would remain at 'BBB+'. The short-term credit rating also remained at the same level ('A-2'). According to S&P, the outlooks for the Central Bank of Savings Banks have remained strong. The previous credit rating assessment was made in December 2015.

Material events after the closing date

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

Outlook for the year

The Savings Banks Group's profit before tax is expected to be at the same level as in 2015. The estimate is based on the current view of economic development.

The expectations are tempered by uncertainties and the final outcome depends on general economic development. There is particular uncertainty in relation to investment income and loan impairments.

Operations and profit by business segment

Banking

The Banking segment includes the member Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc and Aktia Real Estate Mortgage Bank Plc, which is consolidated in the Savings Banks Group as an associated company. The Savings Banks provide retail banking services. The Central Bank of Savings Banks acts as the central credit institution for its member banks. Sp Mortgage Bank ja Aktia Real Estate Mortgage Bank are engaged in mortgage banking.

Cash deposits regardless of the bank's opening hours

As of April, Savings Bank customers who have a Savings Bank Debit or Electron card can now make cash deposits using the bank's TalletusOtto teller machines regardless of the bank's hours of operation. Using the bank machine, you can deposit euro notes and coins into the account connected to the card, and you can also use the basic services provided by Otto machines: making withdrawals and viewing the account balance and transactions. There are currently 150 TalletusOtto automated teller machines in Finland, and plans are in place to install even more over the next two years.

Cash from checkout counters at stores

Starting in May 2016, customers of Savings Banks belonging to the Savings Banks Group can withdraw cash in connection with card purchases at all K-chain grocery stores and Neste K gas stations. The service is available to all customers with Savings Banks Group Debit and Electron cards, or a total of around 250,000 Savings Bank card customers. Cash withdrawals are possible using all Savings Bank Debit, Electron and Business Debit cards. The service enables customers to withdraw cash in places where it would not otherwise be possible or where the nearest automated teller machine is far away. It also makes everyday life easier, as you can withdraw cash along with your purchases during the operating hours of the store. The service has been especially well received in sparsely populated areas and small municipalities with leisure resident.

Mortgage credit bank operations begin

Sp Mortgage Bank started its operations on 29 March 2016. The objective of Sp Mortgage Bank is to strengthen the competitiveness of the Savings Banks Group through competitive funding and promote the strategy of the Savings Banks Group. The purpose of Sp Mortgage Bank is to issue euro-denominated covered bonds with residential mortgage loans as collateral under the Act on Mortgage Credit Banks. This will happen for the first time in the second half of 2016 at the earliest. Residential mortgage loans intermediated by Savings Banks for Sp Mortgage Bank will be used as collateral for the covered bonds.

Central credit institution functions

Central Bank of Savings Banks Finland Plc is a bank owned by savings banks. Its primary task is to provide savings banks with various central credit institution services. These services include payment transfer services and for Savings Banks belonging to the Amalgamation, issuance of payment cards, as well as services related to funding and asset and liability management.

During the review period, refinancing operations focused on securing the refinancing of Savings Banks as well as Sp Mortgage Bank, which began its operations during the review period. During the review period, the Central Bank of Savings Banks Finland Plc issued two-year senior unsecured bonds valued at a total of EUR 450 million under the EMTN programme listed on the Irish Stock Exchange. In addition, private placement bonds amounting to EUR 170 million have been issued under the programme.

Profit trends (comparison figures 1–6/2015)

Profit before tax of Banking segment stood at EUR 32.3 million (EUR 34.6 million). Net interest income stood at EUR 64.8 million (EUR 62.6 million), representing growth of 3.5 per cent. The growth was due to the card business. Net fee and commission income and expenses amounted to EUR 25.8 million (EUR 23.7 million), showing an increase of 8.7 per cent. The net trading and investment income totalled EUR 11.5 million (EUR 17.6 million). The net trading and investment income is largely made up of realised capital gains on available-for-sale financial assets. Other operating income amounted to EUR 9.6 million (EUR 7.5 million). The other operating income for the review period was mainly made up of income from the Visa Europe transaction. The other operating income for the comparison period includes EUR 6.2 million in capital refunds from the Savings Banks' Guarantee Fund. The Guarantee Fund discontinued its operations in the spring of 2015.

Personnel expenses increased moderately to EUR 31.6 million (EUR 30.8 million). The number of personnel in the Banking segment was 1 188 (1 104) at the end of the period. Other operating expenses and depreciations grew by 4.8 per cent to EUR 43.7 million (EUR 41.7 million).

The balance sheet for banking segment amounted to EUR 9.0 billion (31 Dec. 2015: EUR 8.5 billion), representing growth of 6.1 per cent. The growth in the balance sheet was boosted by the debt security issues of the Central Bank of Savings Banks under the EMTN programme.

Loans and advances to customers grew by 3.3 per cent to EUR 6.5 billion (31 Dec. 2015: EUR 6.3 billion). A total of EUR 364.8 million of residential mortgage loans distributed by Savings Banks were at Aktia Real Estate Mortgage Bank at the end of the period. The loans in question will be transferred to Sp Mortgage Bank, which is part of the Banking segment, by the end of 2016.

Asset management and life insurance segment

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

At the end of the review period, the fund capital managed by the Group totalled EUR 1.6 billion. Net subscriptions for funds managed by the Group amounted to EUR 73.8 million during the first half of 2016, which puts it in fifth place out of Finland's 28 fund management companies.

On 30 June 2016, the Group managed a total of 19 investment funds. During the review period, the Group brought one new investment fund to the market, Savings Bank Real Estate Europe. The fund invests its assets primarily in the European real estate and housing markets.

For life insurance operations, the first half of the year went according to goals in terms of risk insurance, but growth in the savings product segment did not meet the expected goals. Premium income on risk insurance grew by EUR 0.4 million (10.4%), while savings products fell by EUR 13.0 million (14.4%). The transfer to the new Solvency II regulations, which entered into force at the beginning of the year, has gone according to plan.

Profit trends (comparison figures 1–6/2015)

Profit before tax for the Asset Management and Life Insurance segment was EUR 8.5 million (EUR 20.7 million). The decrease in profit was due to the challenging first half of the year for life insurance operations, which was due to market turbulence and the general uncertainty in the operating environment and the economy.

Net life insurance income was EUR 5.1 million (EUR 17.4 million), representing a decrease of 70.5% from the comparison period. Life insurance premiums written was EUR 80.7 million (EUR 93.4 million), which was 13.6% lower than a year ago. Claims incurred totalled EUR 22.1 million (EUR 14.0 million), showing growth of 58.2%. The net investment income of the Life Insurance segment was EUR -0.6 million (EUR 31.8 million). The net investment income of the life insurance segment for the comparison period was exceptionally high due to realisations resulting from the change of the asset manager.

Net fee and commission income amounted to EUR 9.6 million (EUR 9.5 million), representing growth of 1.3%. The amount of net fee and commission income rose due to increases in customer assets and managed fund capital.

Operating expenses grew by only 0.3% to EUR 6.2 million (EUR 6.1 million). Personnel expenses grew by 4.5% to EUR 3.0 million (EUR 2.9 million). The number of segment personnel at the end of the period was 75 (72).

Life insurance assets amounted to EUR 636.1 million (31 Dec. 2015: EUR 581.9 million), representing growth of 9.3 % Unit-linked insurance savings at the end of the period totalled EUR 450.1 million (31 Dec. 2015: EUR 397.1 million), growing 13.3%.

The balance sheet of Asset Management and Life Insurance operations grew by 9.2 % during the period, amounting to EUR 644.1 million (31 Dec. 2015: EUR 589.6 million).

Further information:

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

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

Formulas used in calculating the financial highlights:

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 %	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}}$

HALF-YEAR REPORT (IFRS)

Savings Banks Group's income statement

(EUR 1,000)	Note	1-6/2016	1-6/2015
Interest income		89,860	90,350
Interest expense		-25,125	-27,779
Net interest income *	4	**64,735**	**62,571**
Net fee and commission income	5	35,373	33,647
Net trading income		371	-1,353
Net investment income	6	9,832	18,286
Net life insurance income	7	5,128	17,380
Other operating revenue		10,059	1,356
Total operating revenue		**125,499**	**131,887**
Personnel expenses		-37,810	-36,310
Other operating expenses		-39,305	-37,366
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-5,155	-5,465
Total operating expenses		**-82,270**	**-79,141**
Net impairment loss on financial assets	9	-3,655	-4,480
Associate's share of profits		628	758
Profit before tax		**40,201**	**49,024**
Taxes		-7,890	-8,086
Profit		**32,311**	**40,938**
Profit attributable to:			
Equity holders of the Group		31,960	38,445
Non-controlling interests		351	2,493
Total		**32,311**	**40,938**

*Comparison figures of 1-6/2015 have been restated to reflect the new recording of interest of the interest rate swaps hedging fair value (Note 4). Net interest income remained unchanged.

Savings Banks Group's statement of comprehensive income

(EUR 1,000)	1-6/2016	1-6/2015
Profit	**32,311**	**40,938**
Items that are or may be reclassified to profit or loss		
Changes in fair value reserve		
Fair value measurements	4,351	-5,595
Cash flow hedges	1,286	-1,346
Share of other comprehensive income of associates	0	68
Total	**5,637**	**-6,873**
Total comprehensive income	**37,948**	**34,064**
Attributable to:		
Equity holders of the Group	37,094	32,821
Non-controlling interests	855	1,243
Total	**37,948**	**34,064**

Savings Banks Group's statement of financial position

(EUR 1,000)	Note	30.6.2016	31.12.2015
Assets			
Cash and cash equivalents		856,273	546,340
Financial assets at fair value through profit or loss		116,406	162,234
Loans and advances to credit institutions	9	34,899	74,522
Loans and advances to customers	9	6,523,425	6,312,589
Derivatives	10	87,421	70,845
Investment assets	11	1,272,076	1,270,588
Life insurance assets	12	636,069	581,866
Investments in associates		44,917	45,731
Property, plant and equipment		54,480	54,029
Intangible assets		20,255	19,129
Tax assets		3,421	3,313
Other assets		69,328	48,202
Total assets		**9,718,969**	**9,189,391**
Liabilities and equity			
Liabilities			
Financial liabilities at fair value through profit or loss		99,497	144,071
Liabilities to credit institutions	13	288,097	351,241
Liabilities to customers	13	6,037,517	5,914,898
Derivatives	10	1,677	1,588
Debt securities issued	14	1,476,520	1,042,238
Life insurance liabilities	15	598,025	544,236
Subordinated liabilities		137,484	146,366
Tax liabilities		63,792	62,122
Provisions and other liabilities		99,045	101,967
Total liabilities		**8,801,654**	**8,308,697**
Equity			
Basic capital		20,338	20,338
Reserves		278,351	267,766
Retained earnings		595,305	570,131
Total equity attributable to equity holders of the Group		**893,995**	**858,235**
Non-controlling interests		23,320	22,458
Total equity		**917,315**	**880,694**
Total liabilities and equity		**9,718,969**	**9,189,391**

Savings Banks Group's statement of cash flows

(EUR 1,000)	1-6/2016	1-6/2015
Cash flows from operating activities		
Profit	32,311	40,938
Adjustments for items without cash flow effect	22,073	-1,564
Income taxes paid	-7,829	-7,621
Cash flows from operating activities before changes in assets and liabilities	**46,555**	**31,753**
Increase (-) or decrease (+) in operating assets	**-285,744**	**-540,747**
Financial assets at fair value through profit or loss	1,264	165
Loans and advances to credit institutions	1,980	66,366
Loans and advances to customers	-214,329	-450,502
Available-for-sale financial assets	2,553	-62,520
Increase in held-to-maturity financial assets	-383	-5,528
Decrease in held-to-maturity financial assets	528	2,200
Life insurance assets	-55,420	-91,713
Other assets	-21,992	785
Increase (-) or decrease (+) in operating liabilities	**530,492**	**829,997**
Liabilities to credit institutions	-63,145	-1,861
Liabilities to customers	115,246	84,120
Debt securities issued	427,489	652,068
Life insurance liabilities	53,789	92,830
Other liabilities	-2,888	2,839
Total cash flows from operating activities	**291,302**	**321,002**
Cash flows from investing activities		
Other investments	-704	0
Investments in investment property and in property, plant and equipment and intangible assets	-8,268	-6,509
Disposals of investment property and property, plant and equipment and intangible assets	596	899
Total cash flows from investing activities	**-8,376**	**-5,610**
Cash flows from financing activities		
Increase in subordinated liabilities	10,894	12,882
Decrease in subordinated liabilities	-19,746	-25,110
Distribution of profits	-1,624	-1,416
Other monetary increases in equity items	-160	0
Total cash flows from financing activities	**-10,636**	**-13,644**

Change in cash and cash equivalents	**272,289**	**301,748**
Cash and cash equivalents at the beginning of the period	**610,489**	**584,742**
Cash and cash equivalents at the end of the period	**882,778**	**886,490**

Cash and cash equivalents comprise the following items:		
Cash	856,273	837,342
Receivables from central banks repayable on demand	26,505	49,148
Total cash and cash equivalents	**882,778**	**886,490**

Interest received	100,766	82,774
Interest paid	29,463	-20,919
Dividends received	2,432	2,395

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								0	38,445	38,445	2,493	40,938
Other comprehensive income				-4,346	-1,279			-5,624		-5,624	-1,249	-6,873
Total comprehensive income		0	0	-4,346	-1,279	0	0	-5,624	38,445	**32,821**	**1,243**	**34,065**
Transactions with owners												
Distribution of profits								0	-1,466	-1,466		-1,466
Tranfers between items	9,995	46,420		-1,485		-4,664	-48,954	-8,683	-1,312	0		0
Other changes				54		-121	-6,214	-6,281	5,392	-889	-4,781	-5,670
Changes that did not result in loss of control								0	355	355	-66	288
Total equity 30 June 2015	**20,338**	**59,423**	**34,475**	**29,763**	**3,289**	**63,597**	**80,991**	**271,538**	**553,004**	**844,920**	**23,528**	**868,447**

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				**-13,018**	**-917**			**-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									31,960	31,960	351	32,311
Other comprehensive income				3,848	1,286			5,134		5,134	503	5,637
Total comprehensive income		0	0	**3,848**	**1,286**			5,134	31,960	**37,094**	**855**	**37,948**
Transactions with owners												
Distribution of profits									-1,624	-1,624		-1,624
Tranfers between items		1,234					4,157	5,391	-5,391	0		0
Other changes				-11		45	25	60	230	290	7	297
Total equity 31 December 2015	**20,338**	**60,357**	**34,475**	**25,001**	**4,937**	**68,121**	**85,461**	**278,351**	**595,305**	**893,995**	**23,320**	**917,315**

BASIS OF PREPARATION

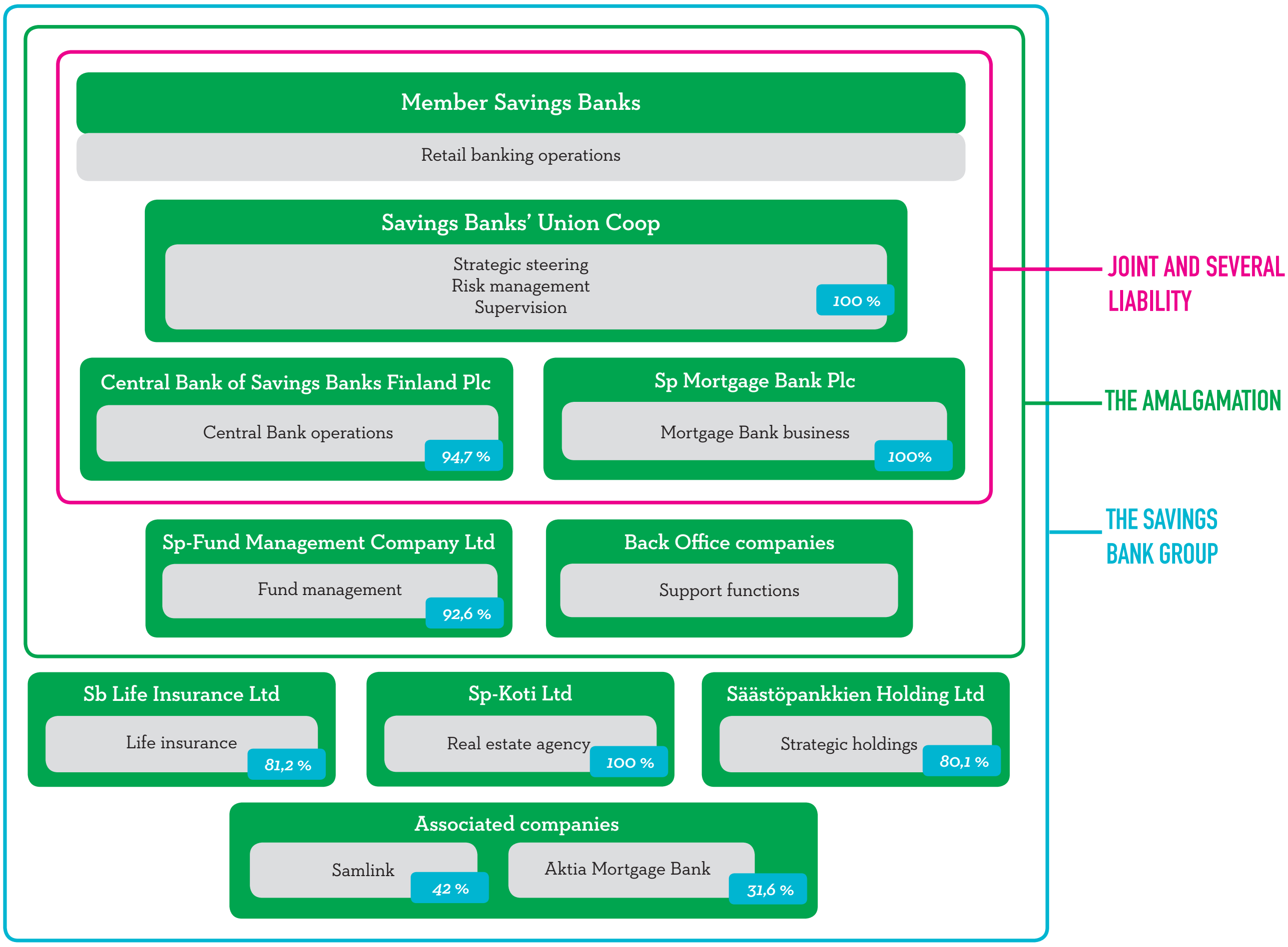
NOTE 1: DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

The Savings Banks Group (hereafter Group) is the most longstanding banking group in Finland. It comprises of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks' Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by Savings Banks. Together the Savings Banks form a banking group that oper-ates locally as well as nationally. The basic objective of the Savings Banks is to promote thrift, the financial well-being of their customers and to operate near their customers. The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range offered is complemented with the other financial services and products provided in cooperation with the service and product companies within the Group. The service and product companies within the Group support and promote the operations of the Group via producing centralised services or having responsibility for certain products. The most significant service and product companies of the Group are Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd 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 Cen-tral 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 organizations 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 gen-eral consolidation accounting principles and therefore it is not possible to define a parent company for the Group.

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



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

NOTE 2: ACCOUNTING POLICIES

General

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

The half-year report has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard. Accounting principles applied in the half-year report are essentially the same as in the financial statement of 2015.

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

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

The Group's financial statements and half- year report 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 Savings Banks Group will publish only one interim report during the year 2016.

Critical accounting estimates and judgments

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

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

There have not been any major changes regarding the uncertainty requiring the Group's management to exercise judgment and make estimates and assumptions compared to the financial statement of 2015.

PROFIT FOR THE PERIOD

NOTE 3: OPERATING SEGMENTS

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

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

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

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

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

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

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

Pricing between the segments is based on market prices.

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

Income statement 1-6/2016 (EUR 1,000)	Banking	Asset Management and Life Insurance	Reportable segments in total
Net interest income	64,751	-13	64,737
Net fee and commission income	25,767	9,585	35,353
Net trading and investment income	11,549		11,549
Net life insurance income		5,128	5,128
Other operating revenue	9,559	1	9,560
Total operating revenue	111,619	14,701	126,321
Personnel expenses	-31,556	-2,991	-34,546
Other operating expenses and depreciation	-43,681	-3,172	-46,852
Total operating expenses	-75,236	-6,162	-81,399
Net impairment loss on financial assets	-3,655		-3,655
Share of profits or losses of associates	-466		-466
Profit before tax	32,262	8,539	40,801
Taxes	-6,181	-1,731	-7,912
Profit	26,081	6,808	32,889
Statement of financial position 30.6.2016			
Cash and cash equivalents	856,273		856,273
Financial assets at fair value through profit or loss	16,908		16,908
Loans and advances to credit institutions	34,776	42	34,818
Loans and advances to customers	6,523,628		6,523,628
Derivatives	87,421		87,421
Investment assets	1,309,001		1,309,001
Life insurance assets		636,069	636,069
Other assets	174,894	7,969	182,864
Total assets	9,002,902	644,081	9,646,983
Liabilities to credit institutions	288,097		288,097
Liabilities to customers	6,039,220		6,039,220
Derivatives	1,677		1,677
Debt securities issued	1,476,524		1,476,524
Life insurance liabilities		598,025	598,025
Subordinated liabilities	137,187	213	137,400
Other liabilities	149,559	4,688	154,247
Total liabilities	8,092,265	602,925	8,695,191
Number of emplyees at the end of the period	**1,188**	**75**	**1,263**

Reconciliations: (EUR 1,000)	1-6/2016	1-6/2015
Revenue		
Total revenue for reportable segments	126,321	138,122
Non allocated revenue, other operations	-822	-6,235
Total revenue of the Group	**125,499**	**131,886**
Profit		
Total profit or loss for reportable segments	32,889	47,256
Non allocated amounts	-578	-6,319
Total profit of the Group	**32,311**	**40,938**

	30.6.2016	30.6.2015
Assets		
Total assets for reportable segments	9,646,983	9,128,642
Non allocated assets, other operations	71,987	99,329
Total assets of the Group	**9,718,969**	**9,277,971**
Liabilities		
Total liabilities for reportable segments	8,695,191	8,243,836
Non allocated liabilities, other operations	106,464	115,688
Total liabilities of the Group	**8,801,654**	**8,359,524**

Income statement 1-6/2015 (EUR 1,000)	Banking	Asset Management and Life Insurance	Reportable segments in total
Net interest income	62,569		62,569
Net fee and commission income	23,701	9,465	33,167
Net trading and investment income	17,550	-1	17,548
Net life insurance income	0	17,380	17,380
Other operating revenue	7,454	4	7,458
Total operating revenue	111,274	26,848	138,122
Personnel expenses	-30,789	-2,862	-33,651
Other operating expenses	-41,664	-3,281	-44,945
Total operating expenses	-72,453	-6,143	-78,596
Net impairment loss on financial assets	-4,480		-4,480
Share of profits or losses of associates	226		226
Profit before tax	34,566	20,705	55,271
Taxes	-5,507	-2,508	-8,015
Profit	29,059	18,197	47,256
Statement of financial position 30.6.2015			
Cash and cash equivalents	833,346	3,996	837,342
Financial assets at fair value through profit or loss	20,646		20,646
Loans and advances to credit institutions	131,432	23	131,456
Loans and advances to customers	6,101,137		6,101,137
Derivatives	71,282		71,282
Investment assets	1,279,033		1,279,033
Life insurance assets		525,664	525,664
Other assets	155,972	6,109	122,244
Total assets	8,592,849	535,793	9,128,642
Liabilities to credit institutions	446,544		446,544
Liabilities to customers	5,870,306		5,870,306
Derivatives	7,241		7,241
Debt securities issued	1,104,133		1,104,133
Life insurance liabilities		500,416	500,416
Subordinated liabilities	156,610		156,610
Other liabilities	154,836	3,750	158,586
Total liabilities	7,739,671	504,166	8,243,836
Number of emplyees at the end of the period	**1,104**	**72**	**1,176**

NOTE 4: NET INTEREST INCOME

(EUR 1,000)	1-6/2016	1-6/2015
Interest income		
Debts eligible for refinancing with Central Bank	2,356	2,482
Loans and advances to credit institutions	7	455
Loans and advances to customers*	65,859	65,063
Debt securities	8,418	8,996
Derivative contracts		
Hedging derivatives**	11,882	11,916
Other than hedging derivatives	141	475
Other	1,197	963
Total	**89,860**	**90,350**
* of which interest income from impaired loans	562	571
Interest expense		
Liabilities to credit institutions	2,034	1,004
Liabilities to customers	14,716	19,742
Derivative contracts		
Hedging derivatives**	1,514	1,005
Other than hedging derivatives	31	0
Debt securities issued	5,199	4,047
Subordinated liabilities	1,601	1,827
Other	30	155
Total	**25,125**	**27,779**
Net interest income	**64,735**	**62,571**

**During the 2015 financial year, a change in recognition was performed in the recording of interest rate swaps hedging fair value. Previously, the interest on interest rate swaps hedging fair value was recorded in interest expenses but, after the change, it has been recorded in interest income. The change is based on the fact that the interest on interest rate swaps is appropriately income for the Savings Banks Group. Comparative figures for 1-6/2015 have been restated to reflect the new recording. For this reason, interest income increased by EUR 9,452 thousand and intserest expenses increased by a corresponding amount. Net interest income remained unchanged.

NOTE 5: NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-6/2016	1-6/2015
Fee and commission income		
Lending	9,725	8,342
Deposits	476	476
Payment transfers	14,276	14,984
Securities brokerage	807	1,054
Mutual fund brokerage	8,745	8,182
Asset management	977	1,301
Legal services	1,560	1,405
Custody fees	584	28
Guarantees	658	593
Other	2,754	2,162
Total	**40,561**	**38,527**
Fee and commission expense		
Payment transfers	1,593	1,288
Securities	674	1,009
Asset management	194	91
Other*	2,728	2,492
Total	**5,188**	**4,880**

*of which the most significant expenses are the shared ATM expenses amounting to EUR 1,133 thousand (EUR 1,312 thousand).

Net fee and commission income	**35,373**	**33,647**

NOTE 6: NET INVESTMENT INCOME

(EUR 1,000)	1-6/2016	1-6/2015
Net income from available-for-sale financial assets		
Debt securities		
Capital gains and losses	-12	-31
Transferred from fair value reserve during the period	1,826	1,700
Impairment losses and their reversal	-219	2
Total Debt securities	1,595	1,671
Shares and participations		
Capital gains and losses	-409	1,581
Transferred from fair value reserve during the period	6,030	12,276
Impairment losses	-38	-40
Dividend income	2,432	2,395
Total shares and participations	8,015	16,212
Total	**9,610**	**17,883**

Net income from investment property		
Rental and dividend income	3,406	3,371
Capital gains and losses	191	154
Other income from investment property	92	74
Maintenance charges and expenses	-2,498	-2,306
Depreciation and amortisation of investment property	-946	-874
Rental expenses arising from investment property	-24	-16
Total	**222**	**403**

Net investment income	**9,832**	**18,286**

NOTE 7: NET LIFE INSURANCE INCOME

(EUR 1,000)	1-6/2016	1-6/2015
Premiums written		
Group's share	80,831	93,438
Insurance premiums ceded to reinsurers	-86	11
Net investment income*	-626	31,773
Claims incurred		
Claims paid	-20,573	-10,839
Change in provision for unpaid claims	-1,505	-3,113
Change in insurance contract liabilities		
Change in life insurance provision	-52,247	-92,674
Other	-666	-1 215
Net life insurance income	**5,128**	**17,380**

***Net investment income**		
Net interest income	438	887
Dividend income	347	20
Net income from investment property	60	26
Realised capital gains and losses	907	12,545
Unrealised gains and losses	-4,726	17,812
Other investments	-37	-1,024
Net income from foreign exchange operation	-16	-62
Net income from unit-linked customer assets	2,400	1,567
Total	**-626**	**31,773**

ASSETS

NOTE 8: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30.6.2016 (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	856,273							856,273
Financial assets at fair value through profit or loss					116,406			116,406
Loans and advances to credit institutions	34,899							34,899
Loans and advances to customers	6,523,425							6,523,425
Derivatives				87,421				87,421
hedging derivatives				87,233				
of which cash flow hedging				7,234				
of which fair value hedging				79,999				
other than hedging derivatives				188				
Investment assets		1,180,406	48,640				43,029	1,272,076
Life insurance assets*	4,559	159,018			469,266		3,226	636,069
Total assets	**7,419,157**	**1,339,425**	**48,640**	**87,421**	**585,671**	**0**	**46,255**	**9,526,569**

Financial liabilities at fair value through profit or loss					99,497			99,497
Liabilities to credit institutions						288,097		288,097
Liabilities to customers						6,037,517		6,037,517
Derivatives				1,677				1,677
hedging derivatives				1,559				
of which fair value hedging				1,559				
other than hedging derivatives				199				
Debt securities issued						1,476,520		1,476,520
Life insurance liabilities*					448,910	147,886	1,229	598,025
Subordinated liabilities						137,484		137,484
Total liabilities	**0**	**0**	**0**	**1,677**	**548,407**	**8,087,505**	**1,229**	**8,638,818**

* 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 customers	74,522							74,522
Lainat ja saamiset asiakkailta	6,312,589							6,312,589
Derivatives				70,845				70,845
hedging derivative				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 9: LOANS AND ADVANCES

(EUR 1,000)	30.6.2016	31.12.2015
Loans and advances to credit institutions		
Deposits	32,805	72,461
Loans and other receivables	2,094	2,062
Total	**34,899**	**74,522**
Loans and advances to customers		
Used overdrafts	82,360	78,586
Loans	6,118,116	5,915,292
Interest subsidized housing loans	264,630	252,007
Loans granted from government funds	4,627	5,353
Credit cards	77,361	81,213
Guarantees	2,491	2,091
Other receivables	2,087	4,010
Impairment losses	-28,248	-25,963
Total	**6,523,425**	**6,312,589**
Total loans and advances	**6,558,324**	**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	3,085	1,175	4,260
-reversal of impairment losses	-1,118	-857	-1,974
+ transfers from write-offs	1,142	456	1,598
-final write-offs	-1,142	-456	-1,598
Impairments 30 June 2016	**22,230**	**6,019**	**28,248**

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 10: 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.

30.6.2016	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		119
Credit derivatives		5,000		5,000	188	
Total	**15,000**	**5,000**	**0**	**20,000**	**188**	**119**
Hedging derivative contracts						
Fair value hedging	**141,596**	**931,344**	**239,000**	**1,311,941**	**79,999**	**1,559**
Interest rate derivatives	85,000	795,000	239,000	1,119,000	77,876	
Equity and index derivatives	56,596	136,344		192,941	2,123	1,559
Cash flow hedging	**25,000**	**40,000**		**65,000**	**7,234**	
Interest rate derivatives	25,000	40,000		65,000	7,234	
Total	**166,596**	**971,344**	**239,000**	**1,376,941**	**87,233**	**1,559**
Derivatives total					**87,421**	**1,677**

In the financial period January to June 2016, EUR 1,607 thousand of effective cash flow hedging was recognised in other comprehensive income. The ineffective portion of cash flow hedging totalled EUR -189 thousand in the financial period January to June 2016 and was recognised in Net trading income.

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

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	1,551	4,882	1,442	7,855
Total	**1,551**	**4,882**	**1,442**	**7,855**

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**	**0**	**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 recognised in other comprehensive income. The ineffective portion of cash flow hedging totalled EUR 317 thousand in the financial year 2015 and was recognised in Net trading income.

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

(EUR 1,000)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	1,467	3,680	1,137	6,284
Total	**1,467**	**3,680**	**1,137**	**6,284**

NOTE 11: INVESTMENT ASSETS

(EUR 1,000)	30.6.2016	31.12.2015
Available-for-sale financial assets		
Debt securities	695,449	678,791
Shares and participations	484,957	500,096
Total	1,180,406	1,178,887
Held-to-maturity investments		
Debt securities	48,640	49,011
Total	48,640	49,011
Investment property	43,029	42,691
Investment assets	**1,272,076**	**1,270,588**

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

30.6.2016 (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	650,404	478,425	644	479,089	46,631	1,176,124
From public entities	172,814				44,821	217,635
From others	477,590	478,425	664	479,089	1,809	958,489
Other than quoted	45,045	190	5,677	5,868	2,010	52,923
From others	45,045	190	5,677	5,868	2,010	52,923
Total	**695,449**	**478,615**	**6,342**	**484,957**	**48,640**	**1,229,047**

* 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	239	38	277
-reversal of impairment losses	-230	-560	-790
Impairment losses 30 June 2016	**1,226**	**307**	**2,133**

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 12: LIFE INSURANCE ASSETS

(EUR 1,000)	30.6.2016	31.12.2015
Investments covering for unit-linked policies		
At fair value through profit or loss		
Investment funds	294,730	265,857
Asset management portfolios	80,987	71,656
Other unit-linked covering assets	74,336	59,632
Investments covering for unit-linked policies total	450,054	397,146
Other investments		
At fair value through profit or loss		
Debt securities	23,771	25,199
Total	23,771	25,199
Available-for-sale financial assets		
Debt securities	15,070	17,446
Shares and participations	143,948	138,866
Total	159,018	156,312
Other investments total	182,790	181,511
Total life insurance investments	632,843	578,657
Other assets		
Other receivables	2,207	2,639
Accrued income	1,019	571
Total	3,226	3,210
Life insurance assets	**636,069**	**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)	30.6.2016			31.12.2015		
	Debt securi-ties	Shares and participations	Derivatives	Debt securi-ties	Shares and participations	Derivatives
Quoted	23,711	450,054		25,199	397,146	
From others	23,771	450,054		25,199	397,146	
Total	**23,771**	**450,054**	**0**	**25,199**	**397,146**	**0**

Available-for-sale life insurance financial assets

30.6.2016	Available-for-sale Debt securities	Available-for-sale shares and participations
(EUR 1,000)	At fair value	At fair value
Quoted	12,963	136,099
From others	12,963	136,099
Other than quoted	2,107	7,849
From others	2,107	7,849
Total	**15,070**	**143,948**

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**

LIABILITIES

NOTE 13: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30.6.2016	31.12.2015
Liabilities to credit institutions		
Liabilities to central banks	60,000	90,000
Liabilities to credit institutions	228,097	261,241
Total	**288,097**	**351,241**
Liabilities to customers		
Deposits	5,961,850	5,845,755
Other financial liabilities	5,065	5,914
Change in the fair value of deposits	70,602	63,229
Total	**6,037,517**	**5,914,898**
Total liabilities to credit institutions and customers	**6,325,614**	**6,266,139**

NOTE 14: DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2016	31.12.2015
Measured at amortised cost		
Bonds	1,232,764	910,009
Other		
Certificates of deposit	243,757	132,228
Other	0	1
Debt securities issued	**1,476,520**	**1,042,238**

Of which		
Variable interest rate	555,603	154,256
Fixed interest rate	920,917	887,982
Total	**1,476,520**	**1,042,238**

During the review period, Central Bank of Savings Banks Finland Plc, which belongs to the Savings Banks Group, issued two-year senior unsecured bonds with a total value of EUR 450 million under the Euro Medium Term Note (EMTN) programme listed on the Irish Stock Exchange. In addition, private placement bonds amounting to EUR 170 million have been issued under the programme.

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

NOTE 15: LIFE INSURANCE LIABILITIES

(EUR 1,000)	30.6.2016	31.12.2015
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	147,886	147,043
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	377,064	341,881
Liabilities for unit-linked investment contracts	71,845	53,908
Reserve arising from liability adequacy test	0	0
Other liabilities		
Accrued expenses and deferred income	1,027	1,177
Other	202	227
Life insurance liabilities	**598,025**	**544,236**

Liabilities are measured in compliance with the Finnish Accounting Standards.

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

OTHER NOTES

NOTE 16: FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

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

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

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

Fair value hierarchy

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

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

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

Transfers between levels

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

In the reporting period January to June 2016, there were no transfers between levels 1 and 2.

30.6.2016	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	16,908	7,724		9,184	16,908
Asset Management and Life Insurance*	469,226	463,856		5,370	469,226
Other operations**	99,497	99,497			99,497
Derivative contracts					
Banking	87,421		85,109	2,311	87,421
Available-for-sale financial assets					
Banking	1,179,518	1,140,995	6,497	32,026	1,179,518
Asset Management and Life Insurance	159,018	151,169		7,849	159,018
Other operations	888	888			888
Measured at amortised cost					
Investments held-to-maturity					
Banking	48,640	49,208	2,005	301	51,514
Loans and receivables					
Banking	7,414,598		9,099,027	8,116	9,107,143
Asset Management and Life Insurance	4,599		4,599		4,599
Total financial assets	**9,480,314**	**1,913,338**	**9,192,638**	**65,158**	**11,171,134**

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

30.6.2016	Carrying amount	Fair value by hierarchy level			Fair value
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	total
Measured at fair value					
At fair value through profit or loss					
Asset Management and Life Insurance*	448,910	448,910			448,910
Other operations**	99,497	99,497			99,497
Derivative contracts					
Banking	1,677		1,677		1,677
Measured at amortised cost					
Banking	7,939,618	1,196,199	6,454,895	312,893	7,963,988
Total financial liabilities	8,489,703	1,744,606	6,456,572	312,893	8,514,072

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

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

Changes at level 3

Reconciliation of changes in financial instruments at level 3

Financial assets at fair value through profit or loss (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2016	14,431	5,700	20,130
Purchases	402		402
Sales	-2,886		-2,886
Matured during the period	-2,700		-2,700
Changes in value recognised in income statement, realised	147		147
Changes in value recognised in income statement, unrealised	-209	-330	-539
Carrying amount 30 June 2016	9,184	5,370	14,554

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

Derivatives (net) (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2016	1,024	0	1,024
Purchases	922		922
Sales	-1		-1
Matured during the period	-390		-390
Changes in value recognised in income statement, realised	173		173
Changes in value recognised in income statement, unrealised	584		584
Carrying amount 30 June 2016	2,311	0	2,311

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

Available-for-sale financial assets (EUR 1,000)	Banking	Asset Management and Life Insurance	Total
Carrying amount 1 January 2016	**38,618**	**8,794**	**47,412**
Purchases	4,801		4,801
Sales	-4,544		-4,544
Matured during the period	-2,279		-2,279
Changes in value recognised in income statement, realised	75		75
Changes in value recognised in income statement, unrealised	-8		-8
Changes in value recognised in comprehensive income statement	103	-945	-842
Transfers to level 1 and 2	-4,741		-4,741
Carrying amount 30 June 2016	**32,026**	**7,849**	**39,876**

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

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)		
30.6.2016	Carrying amount	Effect of hypothetical changes' on profit
At fair value through profit or loss		
Banking	9,184	-376
Asset Management and Life Insurance	5,370	-273
Total	14,554	-649
Derivative contracts		
Banking, assets	2,311	-2,311
Available-for-sale financial assets		
Banking	32,026	-2,706
Asset Management and Life Insurance	7,849	-1,177
Total	39,876	-3,883
Total	**56,740**	**-6,844**

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**

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

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

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 assets 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 period	-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 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
Matured during the period	-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 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 period	-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 recognized in the income statement during the year are included in the item "Net investment income" and "Net life insurance income". Unrealized changes in fair value are booked in the equity fair value reserve through the other comprehensive income statement.

Sensitivity analysis of financial instruments at level 3 (EUR 1,000)		
31.12.2015	Carrying amount	Effect of hypothetical changes' on profit
At fair value through profit or loss		
Banking	14,431	-529
Asset Management and Life Insurance	5,700	-323
Total	20,130	-852
Derivative contracts		
Banking, assets	2,122	-2,122
Banking, liabilities	-1,099	0
Total	1,024	-2,122
Available-for-sale financial assets		
Banking	38,618	-1,610
Asset Management and Life Insurance	8,794	-1,143
Total	47,412	-2,853
Total	**68,566**	**-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 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.

NOTE 17: OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

30.6.2016				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				86,856	3,000	58,558	25,298
Total				**86,856**	**3,000**	**58,558**	**25,298**
Liabilities							
Derivative contracts				1,677			1,677
Total				**1,677**	**0**	**0**	**1,677**

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 18: COLLATERAL GIVEN AND RECEIVED

(EUR 1,000)	30.6.2016	31.12.2015
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Pledges	41,372	61,316
Other	26,004	31,494
Total colateral given	**67,376**	**92,810**
Collateral received		
Real estate collateral	5,826,326	5,966,659
Securities	41,659	37,952
Other	73,497	66,638
Guarantees received	64,127	64,718
Total collateral received	**6,005,612**	**6,135,967**

NOTE 19: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2016	31.12.2015
Guarantees	65,601	66,665
Loan commitments	510,114	388,321
Other	8,202	8,564
Total off balance-sheet commitments	**583,918**	**463,550**

NOTE 20: RELATED PARTIES

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

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

Related party transactions consists mainly of granting of loans, deposits and guarantees. There haven't been any major changes regarding the related transactions after 31 December 2015.

CAPITAL ADEQUACY INFORMATION

NOTE 21: SUMMARY OF REGULATORY CAPITAL, RWA AND CAPITAL RATIOS

The Pillar III disclosure information regarding risk management objectives and policies of the Savings Bank Group are described in the Risk Management and Capital adequacy management note of the financial statements of 2015. Corporate governance disclosure information and remuneration are included to the Corporate Governance note.

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

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

Capital adequacy's main items

Own Funds (EUR 1,000)	30.6.2016	31.12.2015
Common Equity Tier 1 (CET1) capital before regulatory adjustments	885,413	849,784
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-26,408	-25,252
Common Equity Tier 1 (CET1) capital	859,005	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)	859,005	824,531
Tier 2 (T2) capital before regulatory adjustments	56,164	49,732
Total regulatory adjustments to Tier 2 (T2) capital	1,679	0
Tier 2 (T2) capital	57,844	49,732
Total capital (TC = T1 + T2)	**916,848**	**874,263**
Risk weighted assets	**4,748,785**	**4,643,728**
of which: credit and counterparty risk	4,191,406	4,097,876
of which: credit valuation adjustment (CVA)	121,843	104,611
of which: market risk	41,777	47,483
of which: operational risk	393,759	393,759
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.1 %	17.8 %
Tier 1 (as a percentage of total risk exposure amount)	18.1 %	17.8 %
Total capital (as a percentage of total risk exposure amount)	19.3 %	18.8 %

NOTE 22: MINIMUM CAPITAL REQUIREMENT

Credit and counterparty risk	30.6.2016	30.6.2016	31.12.2015	31.12.2015
Exposure class (EUR 1,000)	Risk weighted assets	Capital require-ment	Risk weighted assets	Capital require-ment
Exposures to central governments or central banks	1	0	181	15
Exposures to regional governments or local authorities	268	21	283	23
Exposures to public sector entities	0	0	0	0
Exposures to multilateral development banks	0	0	0	0
Exposures to international organisations	0	0	0	0
Exposures to institutions	59,162	4,733	74,140	5,931
Exposures to corporates	901,760	72,141	867,793	69,423
Retail exposures	827,819	66,225	825,740	66,059
Exposures secured by mortgages on immova-ble property	1,600,481	128,039	1,542,079	123,366
Exposures in default	54,433	4,355	48,392	3,871
Exposures associated with particularly high risk	6,021	482	5,218	417
Exposures in the form of covered bonds	4,959	397	5,687	455
Items representing securitisation positions	0	0	0	0
Exposures to institutions and corporates with a short-term credit assesment	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	400,338	32,027	420,694	33,656
Equity exposures	196,836	15,747	199,770	15,982
Other items	139,328	11,146	107,897	8,632
Credit risk total	4,191,406	335,312	4,097,875	327,830
Credit valuation adjustment (CVA)	121,843	9,747	104,611	8,369
Market risk	41,777	3,342	47,483	3,799
Operational risk	393,759	31,501	393,759	31,501
Total	**4,748,785**	**379,903**	**4,643,728**	**371,498**

NOTE 23: TOTAL EXPOSURE

Credit and counterparty risk 30.6.2016

Exposure class (EUR 1,000)	Balance sheet items	Off balance sheet items	Derivatives	Total
Exposures to central governments or central banks	1,068,040	325		1,068,365
Exposures to regional governments or local authorities	16,313	1,770		18,082
Exposures to public sector entities	1,205			1,205
Exposures to multilateral development banks	1,287			1,287
Exposures to international organisations				0
Exposures to institutions	48,543	28,979	119,212	196,734
Exposures to corporates	904,038	116,858	5,000	1,025,896
Retail exposures	1,442,596	316,398		1,758,994
Exposures secured by mortgages on immovable property	4,593,097	126,752		4,719,850
Exposures in default	68,227	248		68,475
Exposures associated with particularly high risk	4,014			4,014
Exposures in the form of covered bonds	37,830			37,830
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)	456,222			456,222
Equity exposures	96,553			96,553
Other items	160,847			160,847
Total	**8,898,812**	**591,330**	**124,212**	**9,614,354**

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	873,911	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**

Savings Bank

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