

Savings Banks Group

Investor presentation
February 2018



Savings Bank

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Agenda

I	Introduction to Savings Banks Group
II	Operating environment
III	Group structure and Amalgamation
IV	Strategy and operations
V	Key financials
VI	Funding overview
VII	Sp Mortgage Bank



Introduction to Savings Banks Group

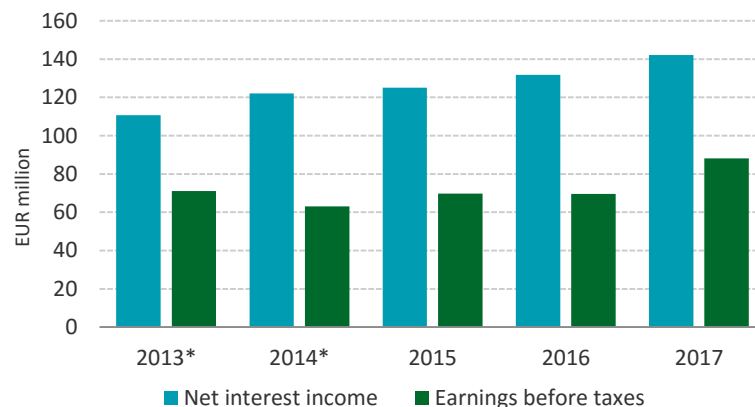


Savings Bank

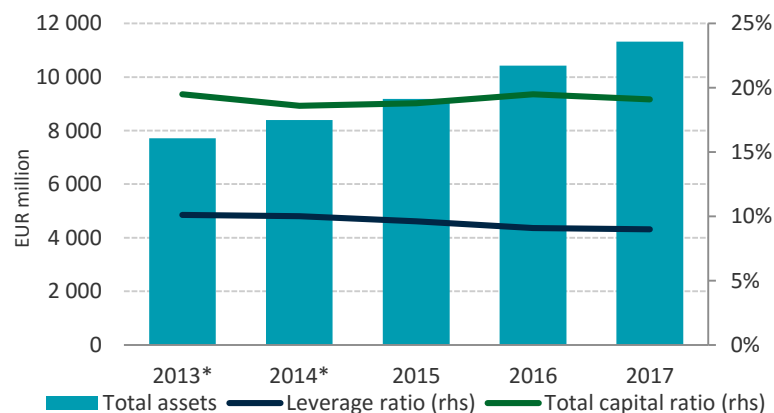
Strong financial performance in 2017

- In 2017, the Savings Banks Group reported its best result in the Group's history:
 - Earnings before taxes increased by 26.7% and total assets by 8.7% from 2016.
 - The growth was widely spread across the product with net interest income, net commission income as well as net income from life insurance and investment were all showing positive development.
 - There was also positive development in assets under management which increased by 21% during 2017.

Positive development in earnings



Growth without compromising capital adequacy



*2013 and 2014 figures are from the time before the Savings Banks Amalgamation commenced its operations on 31 December 2014.

Summary of the Savings Banks Group

The Savings Banks Group	<ul style="list-style-type: none">• The Savings Banks Group is the oldest banking group in Finland consisting of 23 Savings Banks as well as entities providing products and services to the Savings Banks• The Group has close to 500,000 customers and about 150 branch offices across Finland• The main focus is on retail customers which comprise 75% of lending and is predominantly in form of mortgages. Other target groups include SMEs (18% of lending) and agricultural customers (7% of lending)• The Group has close to a 5% market share in household lending and close to a 6% market share in household deposits. The market shares have been growing steadily over the past years• In 2017, the Savings Banks Group had on average 1,343 employees
The Amalgamation of Savings Banks	<ul style="list-style-type: none">• The 23 Savings Banks, Central Banks of Savings Banks Finland (CBSBF), Sp Mortgage Bank (SPMB) and their central institution Union Co-op together with certain other product and service companies form the Amalgamation of Savings Banks (as laid down in the Amalgamations Act)• Under the Amalgamations Act, the Savings Banks, CBSBF, Sp Mortgage Bank and the Union Co-op are jointly liable for each others' debts and commitments
Solid financial position	<ul style="list-style-type: none">• Total assets were EUR 11.3bn at the end of 31 December 2017. The Group's profit before taxes amounted to EUR 88.2m and return on equity was 7.3%.• High quality loan book of EUR 7.8bn consists mainly of residential mortgages & low loan loss impairments of 0.17% at the end of December 2017• Large and stable deposit base of EUR 6.4bn comprises the largest part of the Group's funding• Strong capital position reflected by a CET1 ratio of 18.2% and a total capital ratio of 19.1% at the end of 31 December 2017• Solid leverage ratio of 8.8% at the end of 31 December 2017 (Tier 1 Capital / Total Liabilities)
Funding & Ratings	<ul style="list-style-type: none">• S&P Global Ratings has assigned 'A-/A-2' long- and short-term counterparty credit ratings to CBSBF, the entity responsible for senior unsecured financing of the Group. The outlook on the ratings is stable. As the central credit institution CBSBF's ratings reflect the wider Group's franchise and creditworthiness• Sp Mortgage Bank is responsible for issuance of covered bonds within the Group and issued cover bonds are rated 'AAA' by S&P Global Ratings• The 100% Finnish prime mortgage cover pool is well diversified, with a majority of the pool located in growth centers and their close proximity. The pool has no non-performing loans and has average LTV of 58.5% at the end of December 2017

The Savings Banks Group operates countrywide

- A group of 23 financially solid Savings Banks as well as collectively owned product and service companies.
- The Group operates across Finland and offers its customers a complete package of financial products and services.
- 477,000 customers, with main focus on private customers (75% of lending), small and medium sized businesses (18%) and agricultural and forestry customers (7%).
- Established player in the Finnish market with EUR 11.3bn of total assets and a loan book of EUR 7.8bn.
- Solid financial profile with a CET1 capital ratio of 18.2% and a leverage ratio of 8.8%.
- Savings Banks' customers have access to:
 - About 150 branches - 3rd largest branch network in Finland.
 - An advanced online and mobile banking platform.
- A part of the European Savings Banks network (ESBG).
 - Representing 887 savings banks in 21 countries.



Operating environment



Savings Bank

Strong recovery in 2016-18 and gradual convergence to balanced growth path from 2019 onwards

Finland		2016	2017f	2018f	2019f
2016		YoY, % change			
GDP*	EUR 215.6bn	2.1	3.1	2.7	2.0
Exports*		2.3	8.0	6.5	4.0
Imports*		5.4	2.5	3.5	3.0
Private Consumption*		1.8	1.8	1.6	1.3
Public Consumption*		1.2	0.4	0.4	0.3
Gross Public Fixed Investment*		3.9	1.0	2.1	0.9
Gross Private Fixed Investment*		7.8	9.0	4.5	4.0
<hr/>					
Unemployment rate**		8.8%	8.6%	8.1%	7.7%
Consumer price index YoY**		0.4%	0.8%	1.4%	1.5%
Current account balance/GDP**		-1.4%	-1.2%	-1.3%	-1.3%
General government deficit/GDP**		-1.8%	-1.2%	-1.3%	-0.8%
Government Gross Debt/GDP	Finland**	63.1%	61.1%	60.2%	59.2%
	Euro area***	91.1%	89.3%	87.2%	85.2%

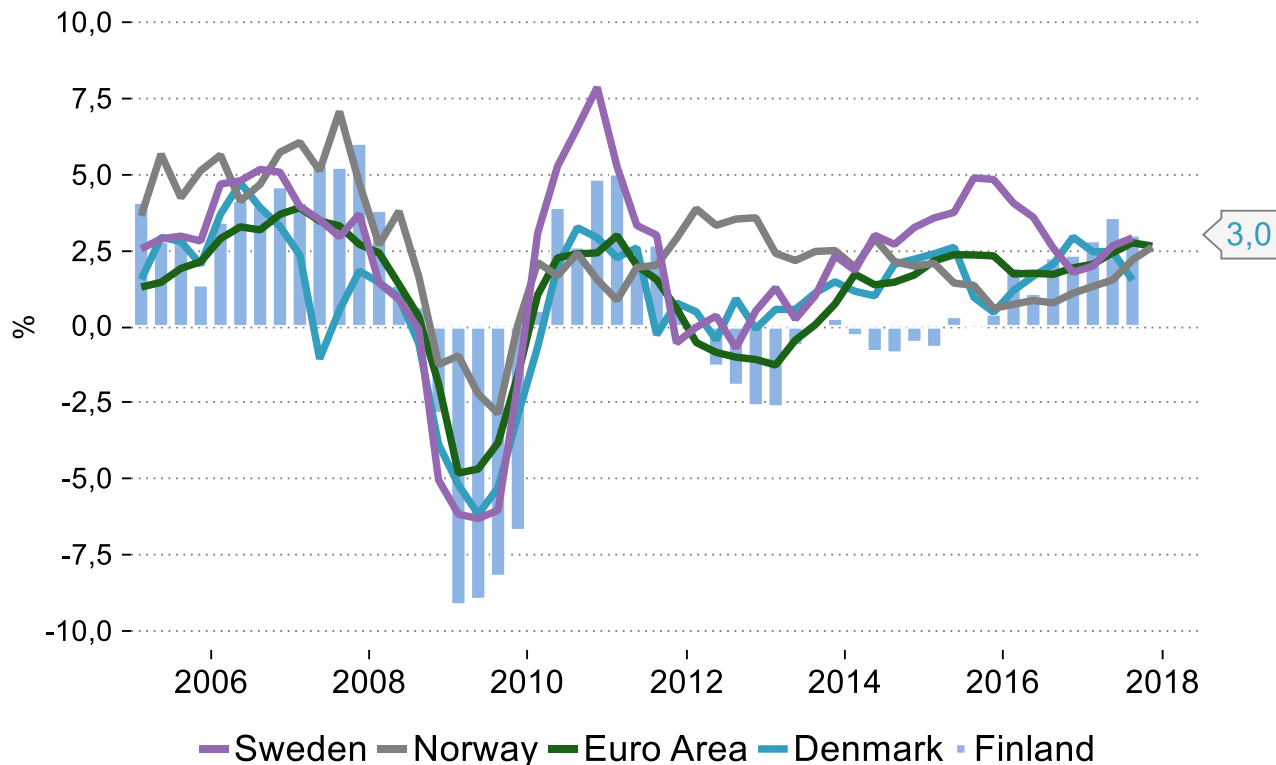
Source: Statistics Finland, * forecasts Savings Banks' Union Coop, ** forecasts Ministry of Finance, Economic forecast 12/2017, *** European Commission, Autumn 2017 forecast

- Broad-based economic recovery likely to extend to 2018 - GDP growth remains close to 3%.
- Surprisingly strong acceleration in employment growth is the key driver behind the improved economic outlook.
- The level of government gross debt is stabilizing and expected to fall below 60% of the GDP by 2019.
- The current government agenda focuses on productivity growth, labor market reforms and reducing of structural deficit.

Finland no longer underperforming

Annual GDP growth exceeding 3% level since Q2/2017

Real GDP growth, YoY, %



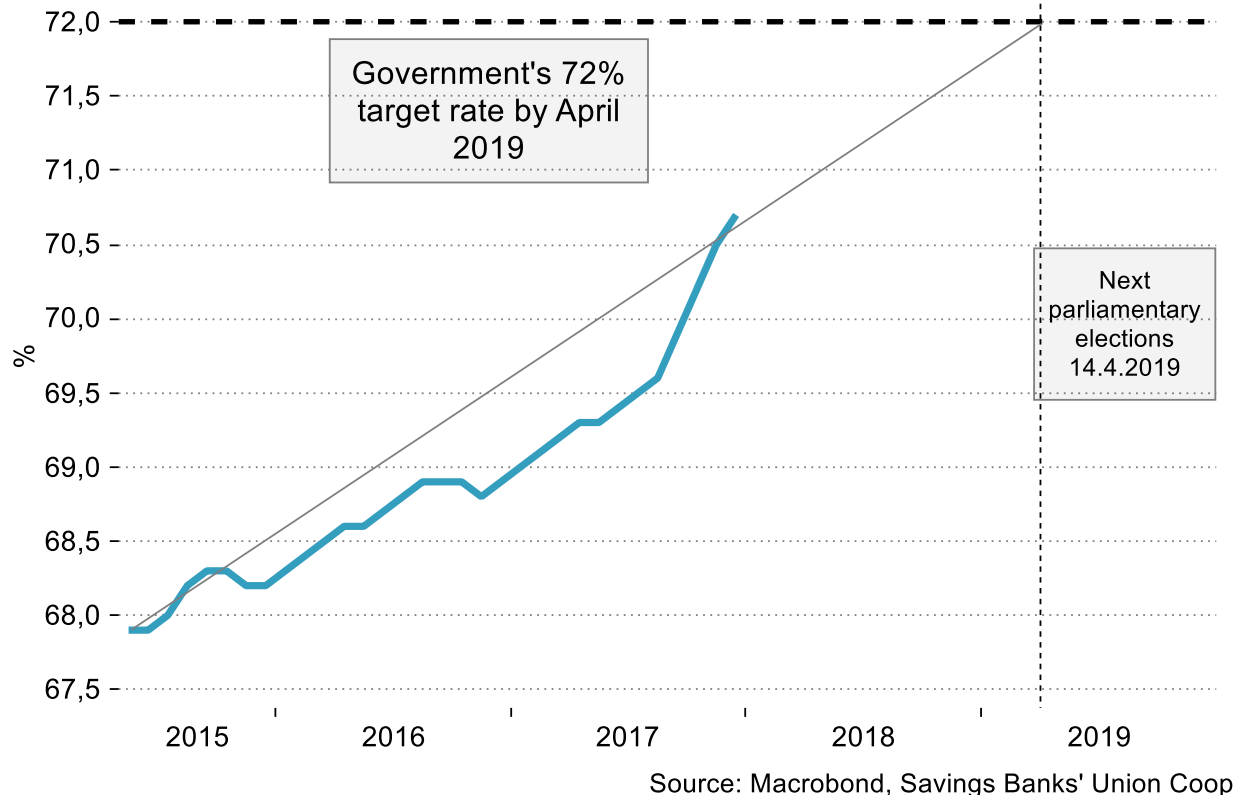
“In our view, economic recovery and further structural reforms will enhance Finland's growth and external performance and, in turn, public finances.”

S&P Global Ratings' Rating Report for Finland, September 2017

Source: Macrobond

Employment growth accelerated markedly in the second half of 2017

Finland, employment rate (15-64 years), SA

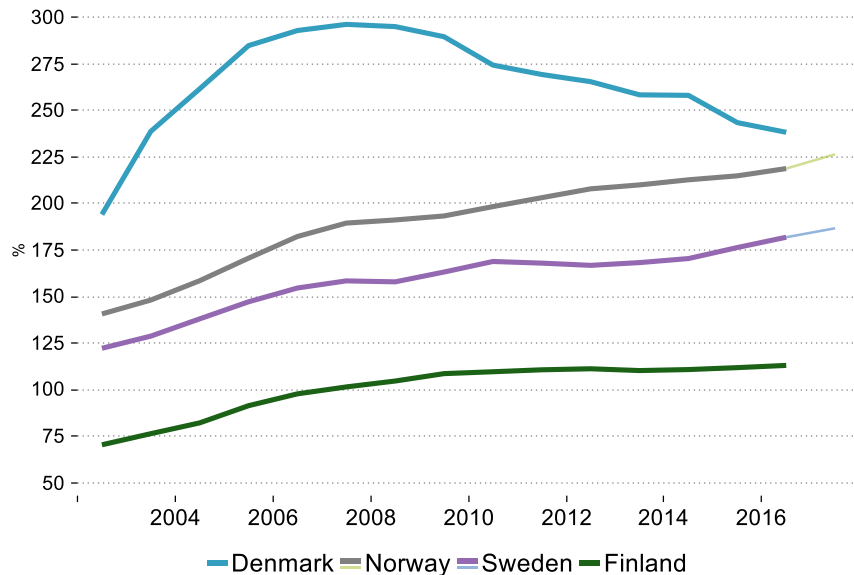


- Job creation accelerated in the second half of 2017, which significantly speeded up the growth in the total employment.
- The government's employment rate target of 72% is likely to be achieved by the end of the current electoral term.
- The labor market is set for further improvements in 2018 as companies continue to invest in their production capacity and domestic demand remains strong.

Household debt remains contained

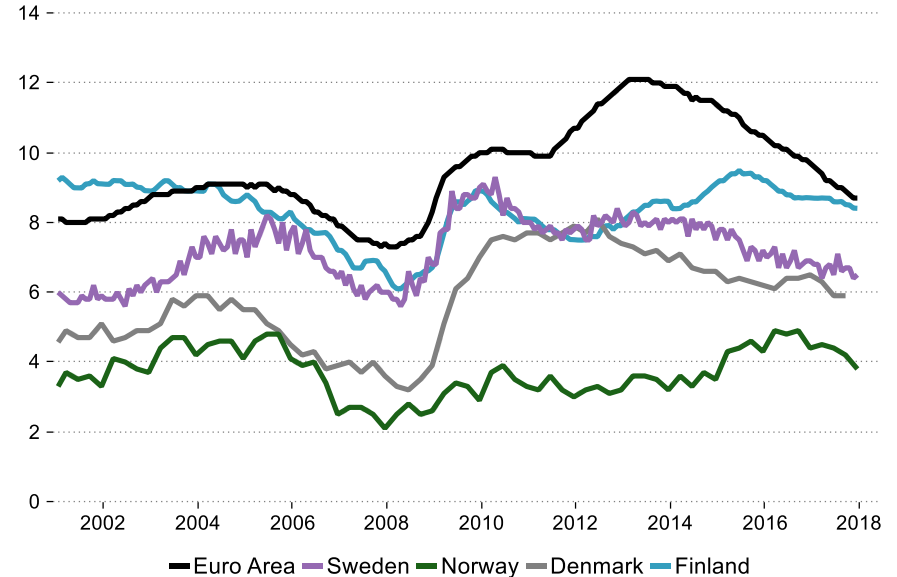
Unemployment below Euro area average

Household debt as % of net disposable income*



Source: Macrobond

Unemployment rates, %



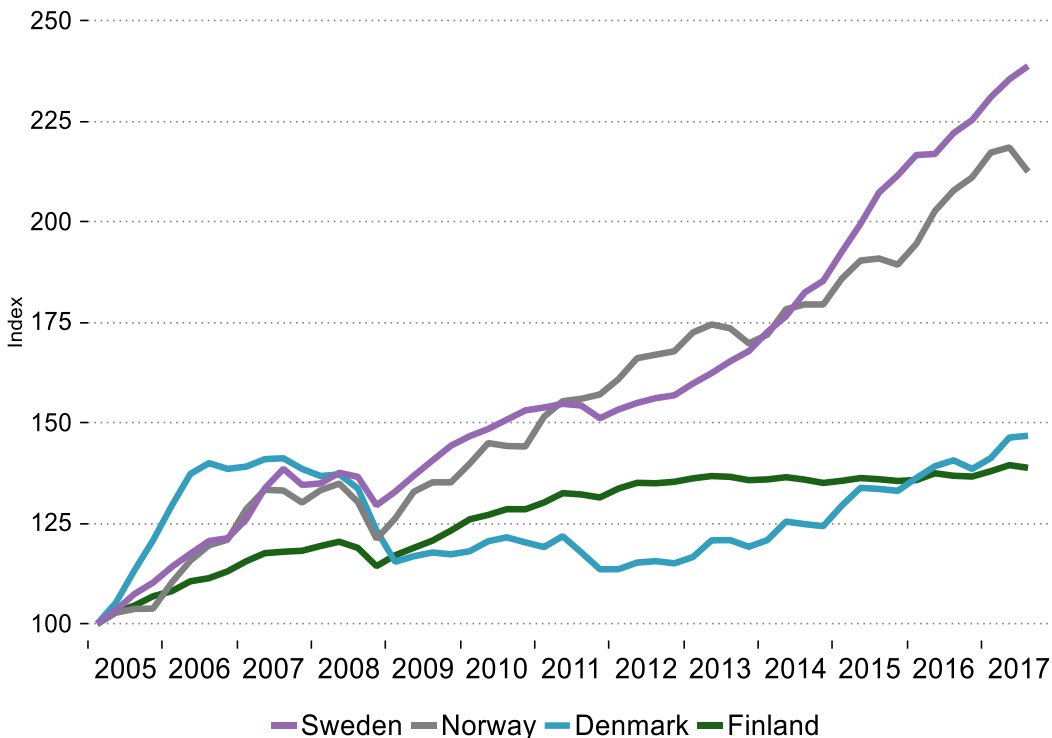
Source: Macrobond

- Finnish household debt in relation to income remains low in the Nordic comparison.
- Unemployment rate in Finland remains higher than in the other Nordic countries but is below the Euro area average. The decline in the Finnish unemployment is expected to gain more momentum in 2018.

*2017 figures for Norway and Sweden are Macrobond forecasts

Moderate house price development in Finland

House price development in Finland vs. selected other countries

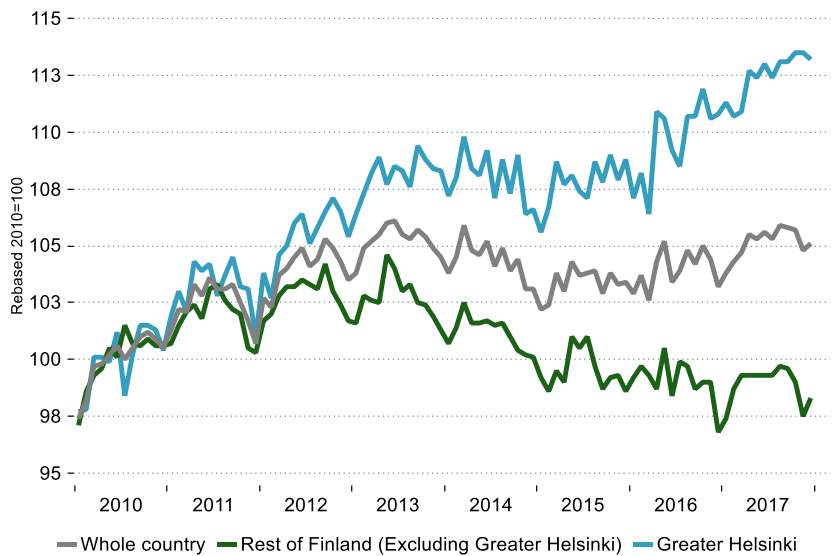


Source: Macrobond

- House prices in Finland have remained stable over the past years and have increased only modestly in comparison to Norway and Sweden over a 12-year period.
- Low interest rate level is supportive of the housing market, as most of the Finnish mortgage loans carry a variable interest rate.
- The outlook for 2018 and beyond is stable. Prices are expected to increase on average by 1% to 2%, however, with some geographical differences.
- Housing market development is strongly linked to the employment situation, consumer confidence and functioning of the financial markets.

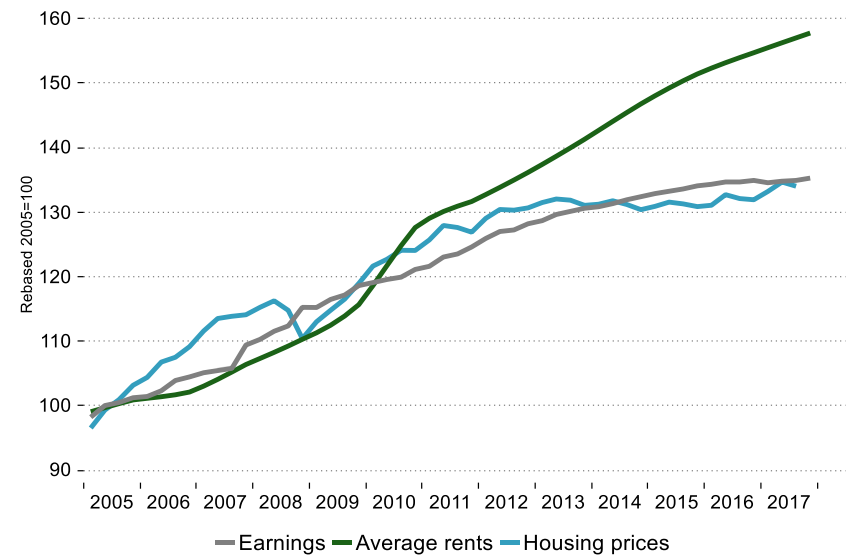
Stable price development across the country

Price index of old dwellings in housing companies



Source: Macrobond

Housing prices, rents and earnings

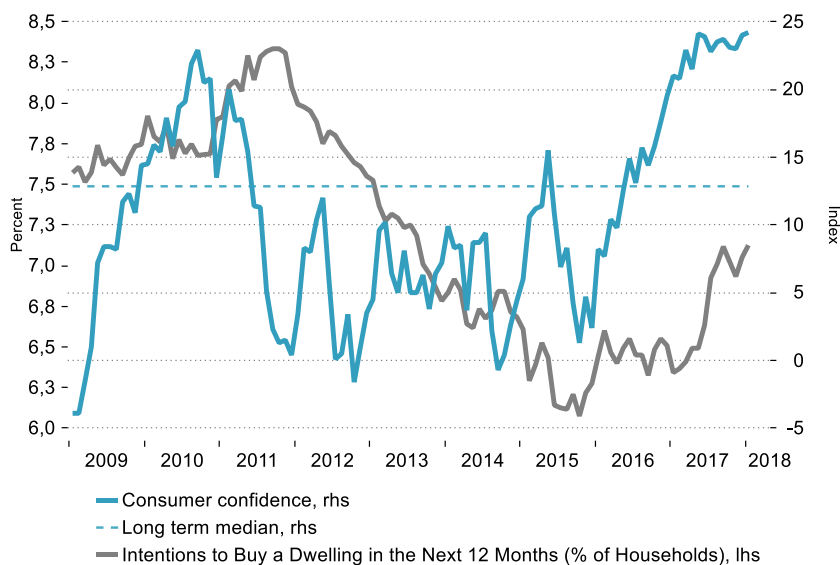


Source: Macrobond

- House price development has continued as relatively stable across the country. Differences between growth centers (especially Greater Helsinki area) and countryside are, however, significant.
- Over the past years house prices have increased at a clearly slower pace than rental prices.
- Household earnings on the other hand have been growing somewhat faster than average house prices.
- For 2018, the housing market is expected to develop in the same direction as during 2017.

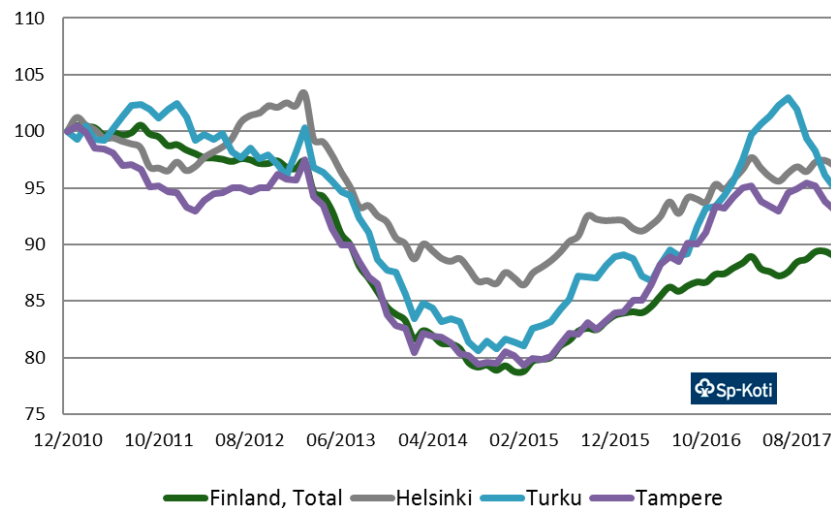
Confidence is a major driver in the housing market

Consumer confidence and intentions to buy a dwelling



Source: Macrobond

Old dwellings, transaction volumes (12m ma)



Sp-Koti

Source: Sp-Koti, HSP

Consumer confidence = Finnish households' trust on their own economy. The higher the level, the stronger the households' confidence is on own their economy.

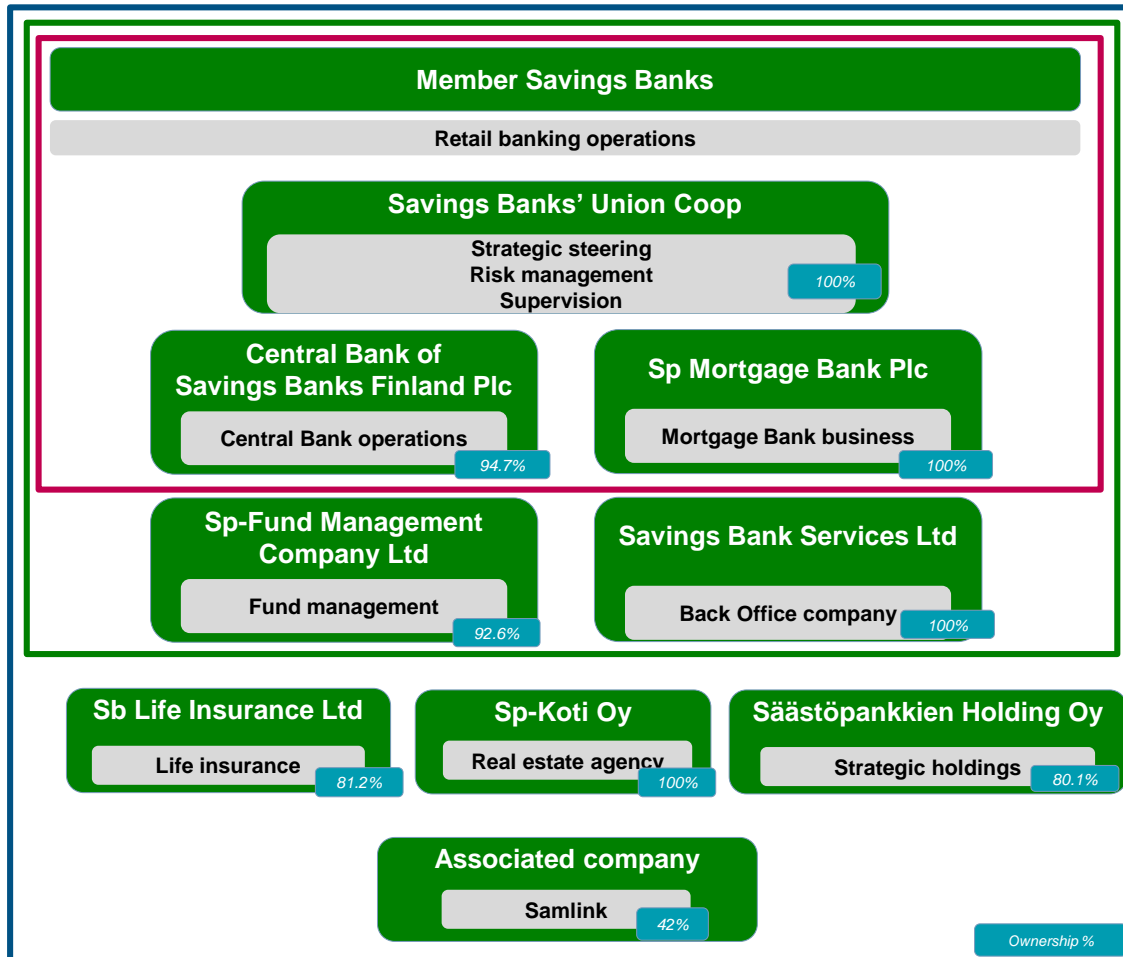
Source: Statistics Finland

Group structure and Amalgamation



Savings Bank

Structure of the Savings Banks Group



JOINT LIABILITY

The member credit institutions in the Amalgamation share joint liability for each others' debts and commitments

THE AMALGAMATION

Sp-Fund Management and Savings Bank Services Ltd are part of the Amalgamation but not part of the joint liability since they are not member credit institutions

THE SAVINGS BANK GROUP

The Group includes also product companies jointly owned by the Savings Banks as well as the associated company Samlink which do not belong to the Amalgamation but are consolidated to the Group

The Amalgamation of Savings Banks

- The Amalgamation of Savings Banks is an amalgamation defined in the Act on the Amalgamation of Deposit Banks (“Amalgamations Act”, Laki talletuspankkien yhteenliittymästä 599/2010).
- **Under the Amalgamation Act, the Union Coop as the central institution has the obligation to supervise the operations of the member credit institutions and issue instructions to them on risk management, good corporate governance and internal control to secure liquidity and capital adequacy, as well as instructions on compliance with uniform accounting policies in the preparation of the amalgamation's consolidated financial statements.**
- The Union Coop may confirm general operating policies for the member credit institutions to be followed in their operations that are significant for the Amalgamation.
- The minimum capital requirement and liquidity of the companies within the Amalgamation of Savings Banks is controlled on a consolidated basis.

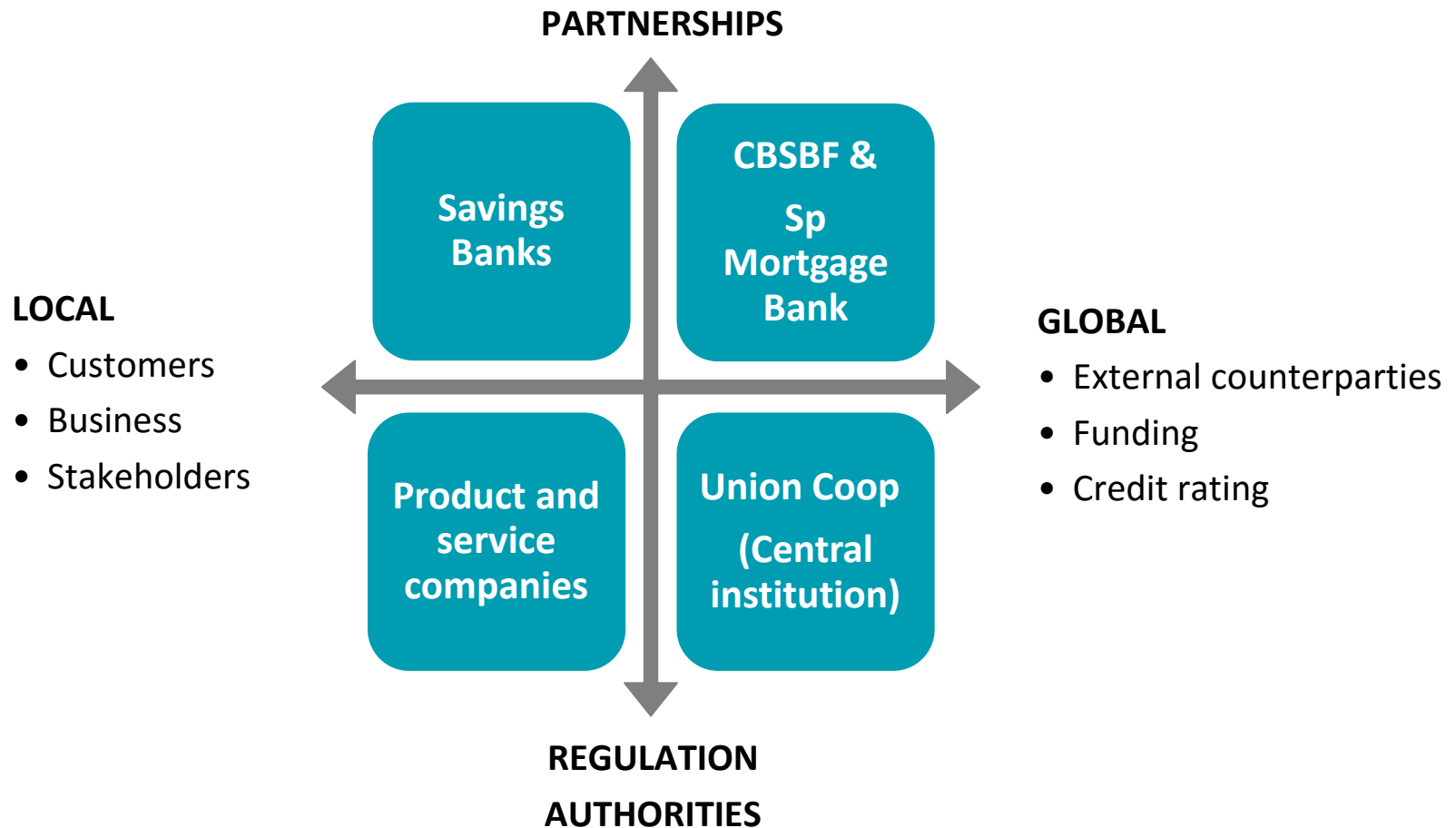
Investors' position is stronger in the Amalgamation

Joint liability

- **The Amalgamation improves investors' position because the liability for repayment of debt does not lie with an individual entity but within the central institution and the member credit institutions in accordance with the Amalgamations Act.**
- The Amalgamation is based on the principle that it is a stable and permanent structure. In practise, it acts like one operator without being a conglomerate.
- Under the Amalgamations Act, the central institution and the member credit institutions are **jointly liable for each others' debts and commitments**:
 - The central institution is liable to pay, as a support measure, to any of its member credit institutions an amount that is necessary to prevent that member credit institution from being placed in liquidation.
 - Each member credit institution shall be liable to pay to the central institution, in proportion to their last adopted balance sheets, the amount paid by the central institution.
 - Furthermore, upon insolvency of the central institution, a member credit institution shall have unlimited refinancing liability for the central institution's debts.
- **In the Amalgamation of Savings Banks the joint liability currently comprises 23 Savings Banks, CBSBF, Sp Mortgage Bank and the Union Coop (the central institution).**

The Amalgamation brings synergies

Economies of scale enhances our growth strategy



Early intervention model

Prevents a bank from going in a wrong direction at an early stage

**The Act on the Amalgamation of
Deposit Banks**

**The bylaws of the Savings
Banks' Union Coop**

**The Internal operational
principles**

(No legal requirement for these
principles)

**The Early Intervention
model**

- The Union Co-op oversees the Group's liabilities and reports to the regulator, Finnish FSA.
- For decision making and prevention of any savings bank in the Group from going to a wrong direction, there is an additional internal framework and an early intervention model which have been agreed and adopted within the Group.
- **CBSBF and Sp Mortgage Bank fully benefit from the joint liability based on the Act on the Amalgamation of Deposit Banks. In addition, covered bond investors benefit from the ring-fencing of the assets in its Cover Pool.**

Strategy and operations



Savings Bank

On a positive track reaching our goals

Best customer satisfaction

The best customer satisfaction and recommendation rate in the sector

- ✓ 2017: Savings Banks Group in top 2

More and more Finns choosing us as their primary bank

- ✓ 2017: Close to 30,000 new clients, most being families

Solid financial profile

Profitable and solvent—sustainably growing and capable of bearing risks

- ✓ 2017: Improved profitability and stable capital adequacy

Reliable investment option with a good credit rating

- ✓ 2017: Rating upgraded to A- by S&P

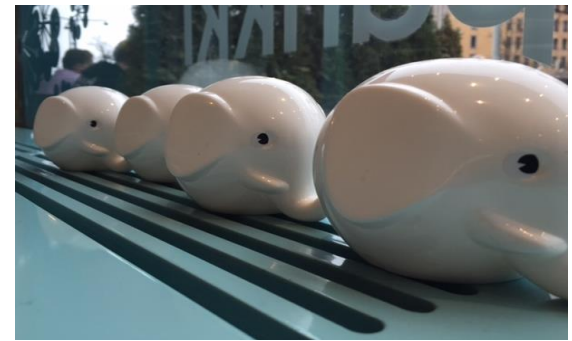
High brand awareness

Good reputation and appealing brand

- ✓ 2017: Among the most valued banking brands in Finland

The best workplace that attracts leading multitalents of the digital age

- ✓ 2017: Focus on quality and volume of employee education



We offer a complete service package

Savings and investments

Savings accounts and fixed term deposits

- Savings Banks

Funds and asset management

- Sp-Fund Management Company

Saving and life insurance

- Sp-Life Insurance Company

Book-entry securities

- Savings Banks
- SEB

Securities trade

- Account operator
Central Bank of Savings Banks
- Broker S-Bank

Daily banking

Branch and online services

- Savings Banks

Debit and credit cards

- Savings Banks
- Central Bank of Savings Banks

ATMs and cash services

- Several service providers

Clearing and settlement

- Central Bank of Savings Banks

Financing

Mortgage loans

- Sp Mortgage Bank

Balance sheet lending

- Savings Banks

Lifestyle protection insurance

- Sp-Life Insurance Company

Leasing and hire purchase

- Siemens Financial Services

Trade Finance

- Danske Bank

Insurance

Life insurance

- Sp-Life Insurance Company

Non-life insurance

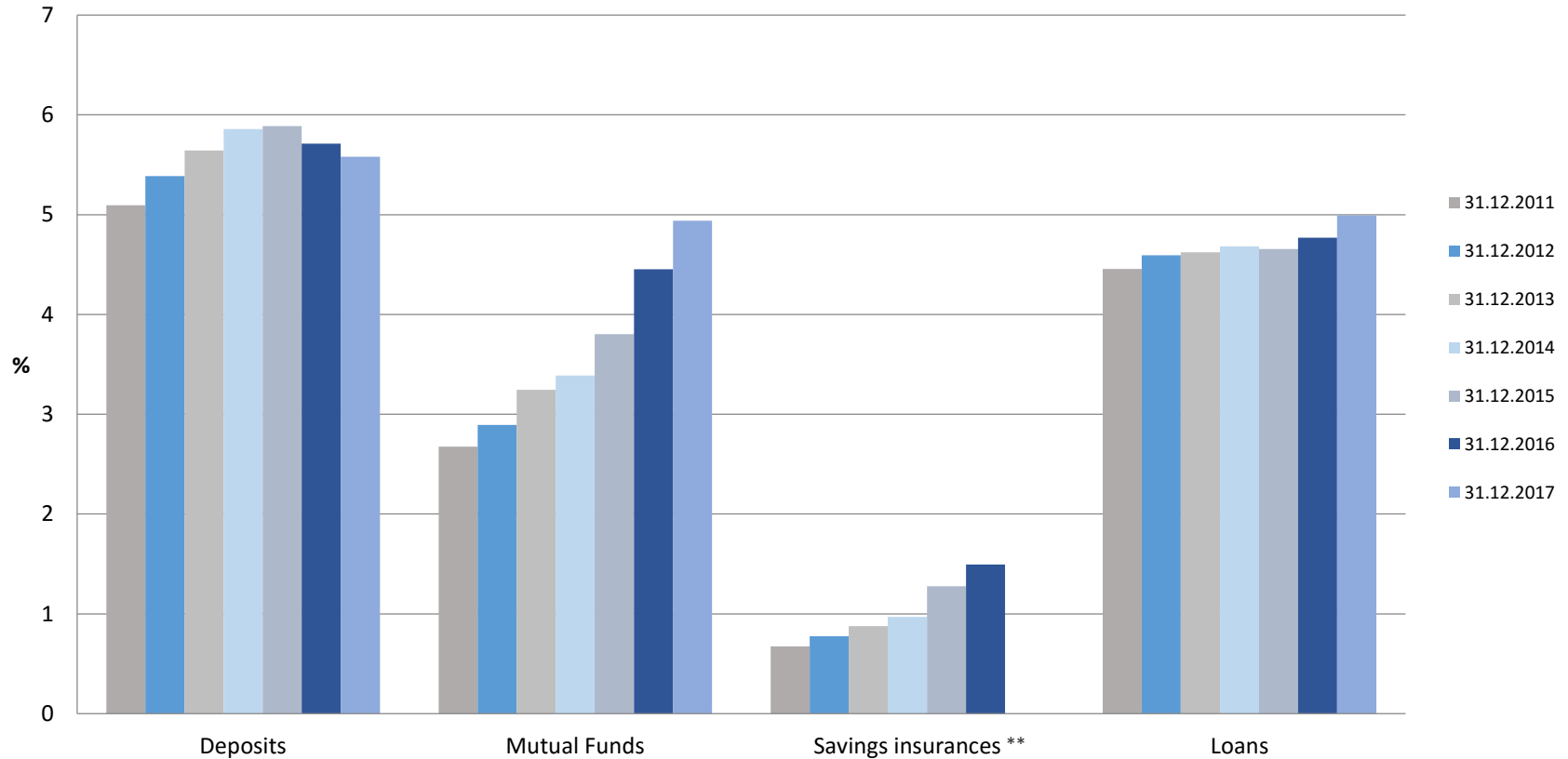
- Finnish P&C Insurance Company

Statutory pension insurance

- ELO Pension Insurance Company

Consistent market share growth

Market share development of the Savings Banks Group in different segments*



Source: The Bank of Finland

* Market shares including households and non-profit organisations

**Market share for mutual funds is including funds which are registered in Finland and excluding funds which are in Savings Banks' own investments

Diversified client base and loan book across Finland

30 largest regions represent 60% of mortgage loans



As of December 2017

Complete loan book well diversified across Finland

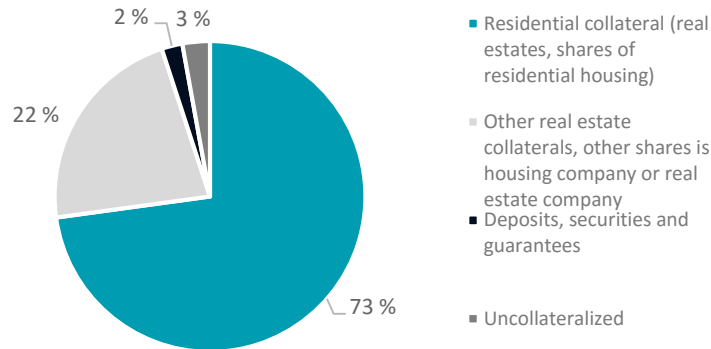


As of December 2017, including municipalities with more than 1,000 clients

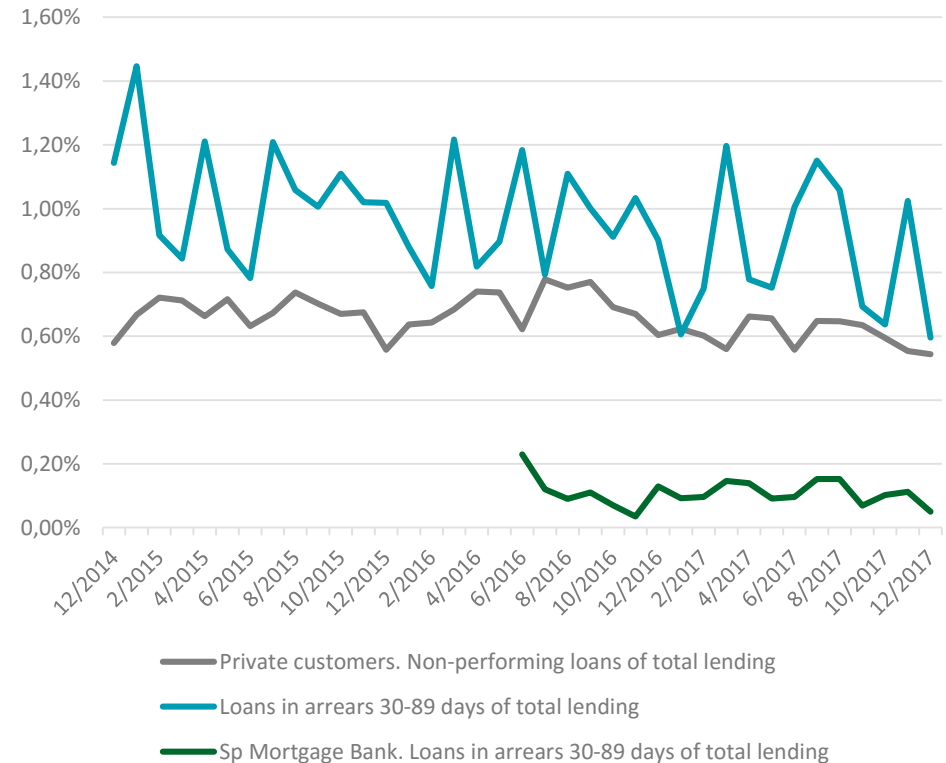


Loan portfolio with good credit quality

Loan exposure by collateral type (Dec 2017)

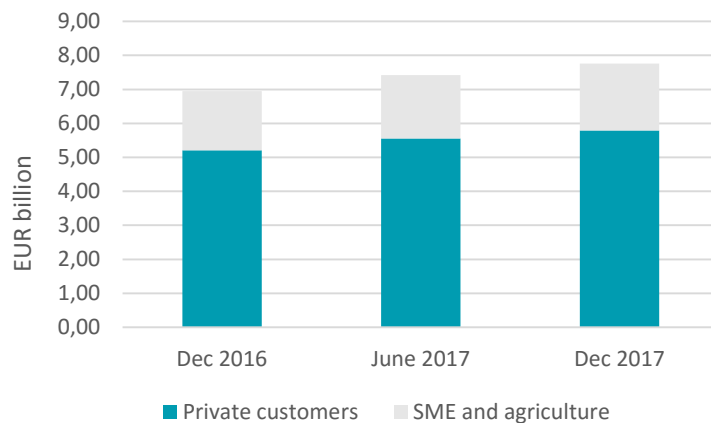


Private customers / non-performing loans and loans in arrears



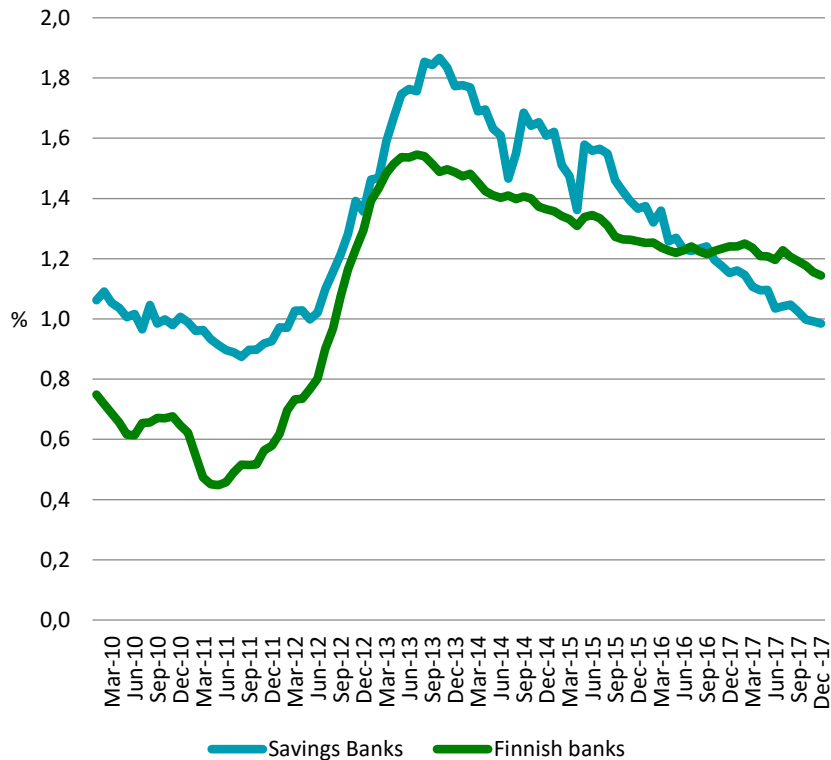
Sp Mortgage Bank does not have any non-performing loans

Loan portfolio development



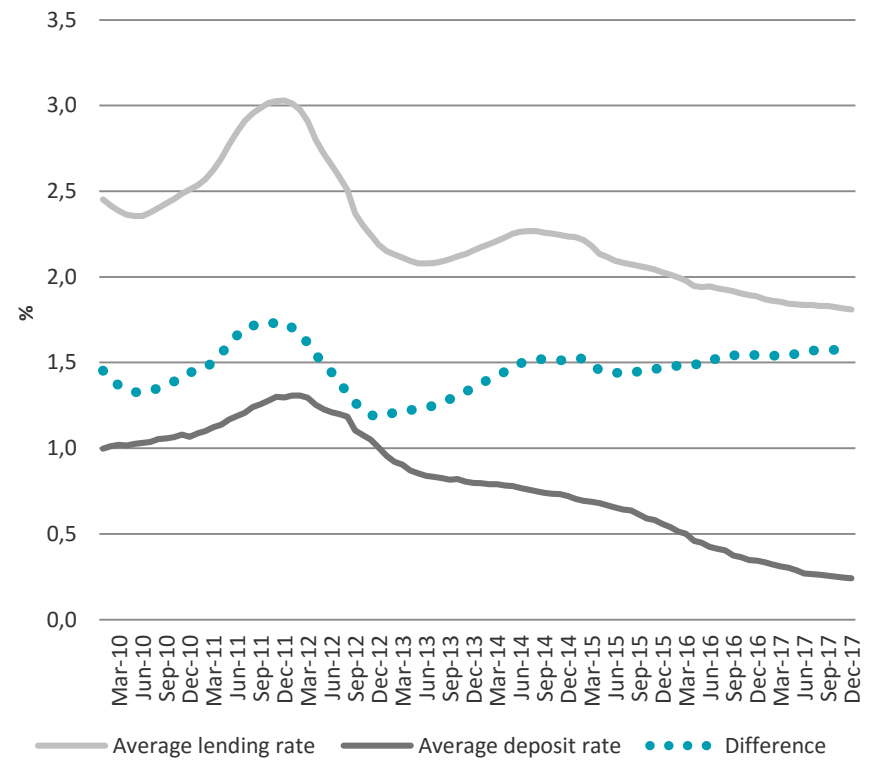
Balancing between margins and growth

Margin development vs. Finnish banking sector



Source: The Bank of Finland

Net interest margin* of the Savings Banks Group



*Lending and deposits rates include both household and corporate customers

- In the challenging market conditions, the Savings Banks Group has been able to maintain competitive pricing and still continue to grow.

Key financials



Savings Bank

The Savings Banks Group's key figures

	FY 2017	FY 2016	FY 2015	FY 2014
Profit before tax	EUR 88.2m	EUR 69.6m	EUR 69.7m	EUR 63.1m
Net interest income	EUR 142.2m	EUR 131.7m	EUR 125.0m	EUR 122.0m
Cost-to-income	64.7%	64.4%	63.4%	64.2%
Capital adequacy	Amalgamation: - Total capital 19.1% - CET1 18.2%	Amalgamation: - Total capital 19.5% - CET1 18.5%	Amalgamation: - Total capital 18.8% - CET1 17.8%	Amalgamation: - Total capital 18.6% - CET1 16.9%
Leverage ratio*	8.8%	9.1%	9.2%	9.0%
Loans and advances	EUR 7.8bn	EUR 7.0bn	EUR 6.4bn	EUR 5.9bn
Total assets	EUR 11.3bn	EUR 10.4bn	EUR 9.2bn	EUR 8.4bn
Personnel	1,343	1,270	1,230	1,161

*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.

Strong underlying business performance

Income statement	FY 2017	FY 2016	Change, %	FY 2015
EUR 1,000				
Net interest income	142,176	131,693		125,018
Net fee and commission income	79,159	71,428		68,850
Net trading income	3,156	-56		-1,350
Net investment income	39,065	17,809		20,526
Net life Insurance income	15,552	11,810		15,178
Other operating revenue	3,083	12,692		2,309
Total operating revenue	282,191	245,376	15.0%	230,531
Operating expenses	-182,693	-168,792		-156,865
Net impairment loss on financial assets	-13,265	-8,411		-6,127
Associate's share of profits	1,977	1,430		2,160
Profit before tax	88,210	69,603	26.7%	69,699
Taxes	-16,316	-12,406		-12,080
Profit	71,894	57,197	25.7%	57,619

Strong capital adequacy and capital base

- The capital position of the Amalgamation of Savings Banks was at a very strong level at the end of June 2017.
- The capital base is predominantly consisting of common equity – CET1 ratio was 18.2% and total capital ratio 19.1%.
- Tier 2 capital base amounted to EUR 45.5 million and total capital base was EUR 984.6 million.
- The current capital requirement for the Amalgamation is 11% consisting of:
 - Statutory minimum capital adequacy requirement of 8%.
 - Capital conservation buffer of 2.5% according to the Act on Credit Institutions.
 - 0.5% Pillar 2 requirement set by FIN-FSA.
- In May 2017, the Finnish Stability Authority set a minimum requirement of own funds and eligible liabilities (MREL) at Amalgamation level and this requirement will be applied starting from 31 December 2018.
- Capital adequacy will be kept at strong levels also going forward.

Own funds (EUR million)	31.12.2017	31.12.2016	31.12.2015
Common Equity Tier 1 (CET1) before adjustments	969.7	915.7	849.8
Regulatory adjustments to CET1	-30.6	-27.8	-25.3
Common Equity Tier 1 (CET 1) capital	939.1	887.9	824.5
Additional Tier 1 (AT1) capital	0	0	0
Tier 1 capital (T1 = CET1 + AT1)	939.1	887.9	824.5
Tier 2 (T2) capital before regulatory adjustments	45.5	48.7	44.8
Tier 2 capital	45.5	48.7	49.7
Total capital (TC = T1 + T2)	984.6	936.6	874.3

Capital ratios	31.12.2017	31.12.2016	31.12.2015
Common Equity Tier 1 ratio, %	18.2 %	18.5 %	17.8 %
Tier 1 ratio, %	18.2 %	18.5 %	17.8 %
Total capital ratio, %	19.1 %	19.5 %	18.8 %

Capital requirement driven by credit risk

- The Amalgamation's credit risk and market risk for currency position are calculated using the standard model. Operational risk capital requirement is calculated with the basic method.
- Major part of the capital requirement comes from credit risk (89% at 31 December 2017).
- The Amalgamation has no trading activity for own or customers' account. The member credit institutions may have a so-called small trading book as defined in article 94 of the CRR.
- Capital requirement for market risk is based on the currency risk, calculated by combined positions from the member banks.

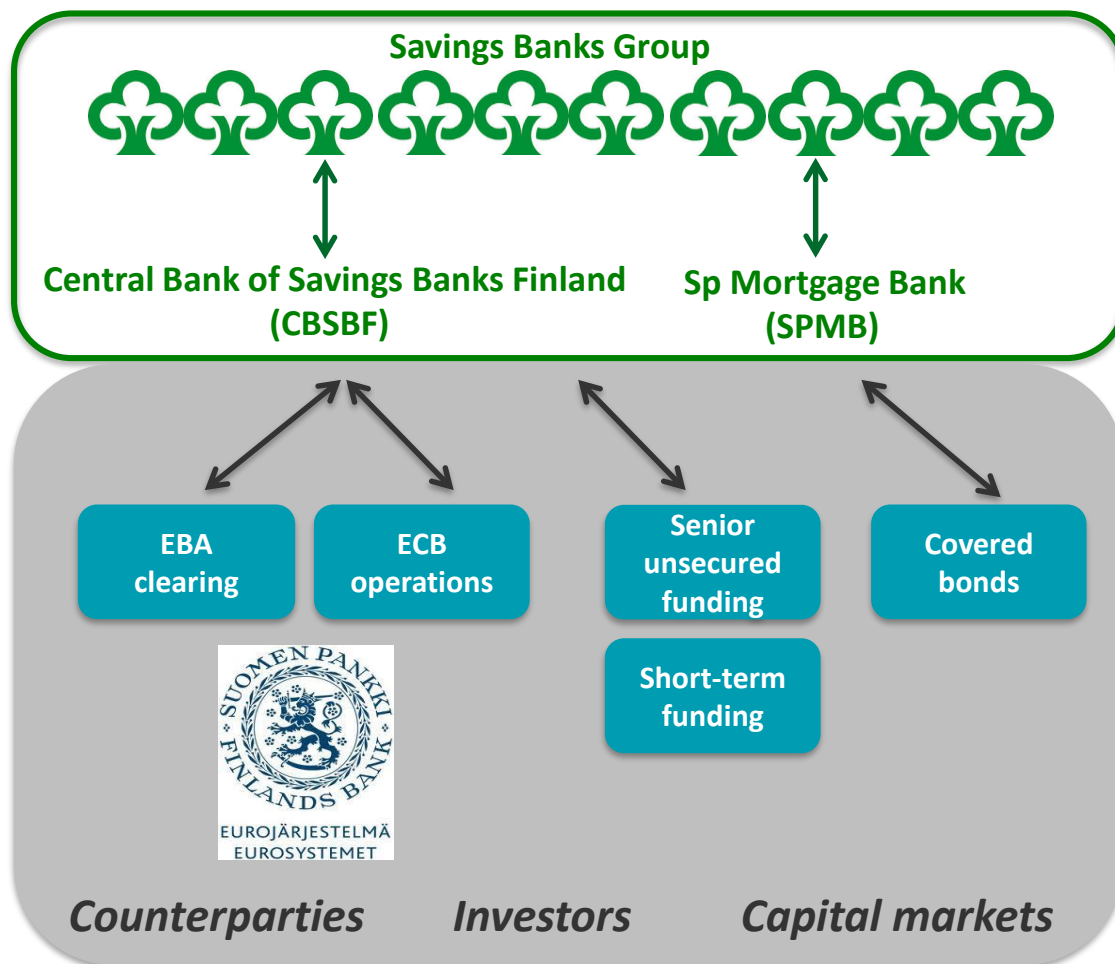
Capital base (EUR million)	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Total capital base	984.6	936.6	874.3	814.3
Capital requirements for credit risk	368.2	340.0	327.8	304.9
Capital requirement for CVA	5.8	7.9	8.4	9.9
Capital requirement for market risk	3.2	2.8	3.8	3.8
Capital requirement for operational risk	36.1	33.7	31.5	31.0
Total capital requirement	413.3	384.4	371.5	349.5
Capital buffer (after 8% minimum capital requirement)	571.3	552.2	502.8	464.8

Funding overview



Savings Bank

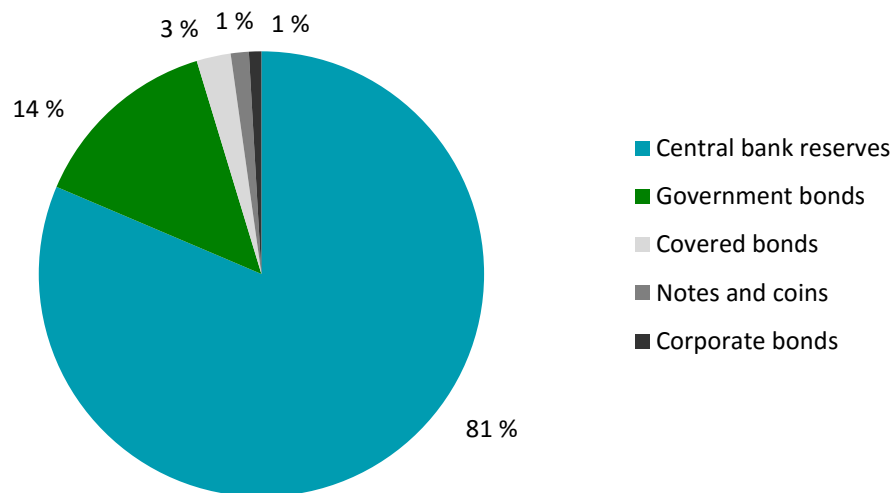
Funding vehicles of the Group



- Sp Mortgage Bank is the covered bond funding vehicle of the Group.
- CBSBF is the Group's liquidity, clearing and optimising centre, offering a full-range of treasury services for the Group:
 - responsible for the Savings Banks Group's liquidity and senior unsecured funding for growth.
 - implements the Savings Banks Group's liquidity strategy.
 - operates in the money and capital markets.
 - is the lender of last resort in the Group.

Liquidity reserve portfolio of the Savings Banks Group

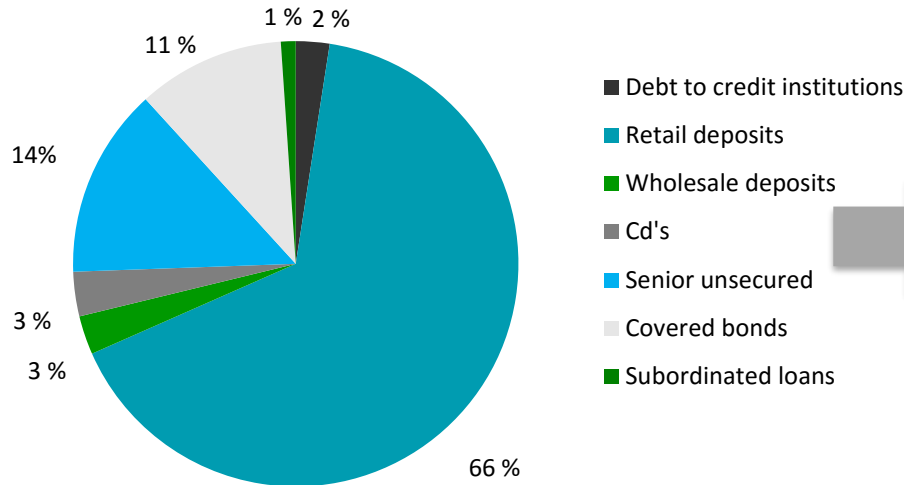
Composition of liquid assets after haircuts, 31 December 2017



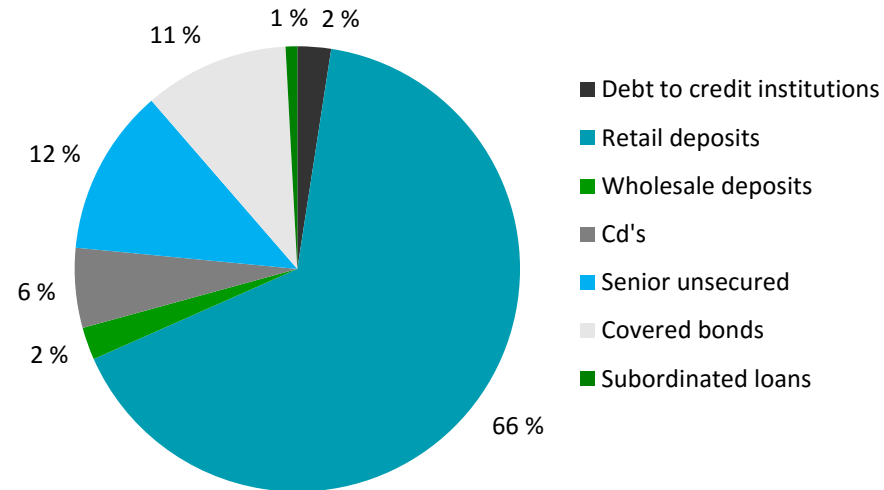
- CBSBF is responsible for liquidity management of the Group including management of the total LCR on behalf of the Savings Banks and the Amalgamation.
- **Amalgamation's LCR components**
 - Liquid assets: EUR 1.272 million
 - Net outflows: EUR 960 million
 - LCR: 133%

Balanced and diversified funding base

Amalgamation's funding base, as of 31 December 2017



Amalgamation's expected funding base, by end 2018



- In 2017, the Group's net funding from the capital markets increased by EUR 500 million, consisting of one benchmark covered bond issuance.
- During 2018, net capital market funding is expected to remain unchanged. However, due to maturing funding there will be new senior issuance for EUR 300 million.
- During 2019-2020, net capital market funding is expected to amount to EUR 750 million with gross issuance amounting to EUR 1.4 billion due to maturing senior funding.

Contemplated transaction and indicative terms

Issuer	Central Bank of Savings Banks Finland <CBSBKF Corp>
Type	Senior unsecured, unsubordinated
Expected Issue Rating	A- (S&P)
Maturity	3 years
Size	Sub-benchmark
Coupon	Floating
Documentation	The Issuer's EMTN Programme
Law	English Law
Listing	Irish Stock Exchange
Denominations	EUR 100,000 + 100,000
Lead Managers	Deutsche Bank, LBBW, Nordea

- Central Bank of Savings Banks Finland is contemplating an issuance of a EUR-denominated sub-benchmark Senior Unsecured FRN transaction with a 3-year maturity.
- The company is meeting fixed income investors on 26th and 27th February and a transaction will follow, subject to market conditions.
- Deutsche Bank, LBBW and Nordea have been mandated as lead managers.

Sp Mortgage Bank



Savings Bank

Sp Mortgage Bank in brief

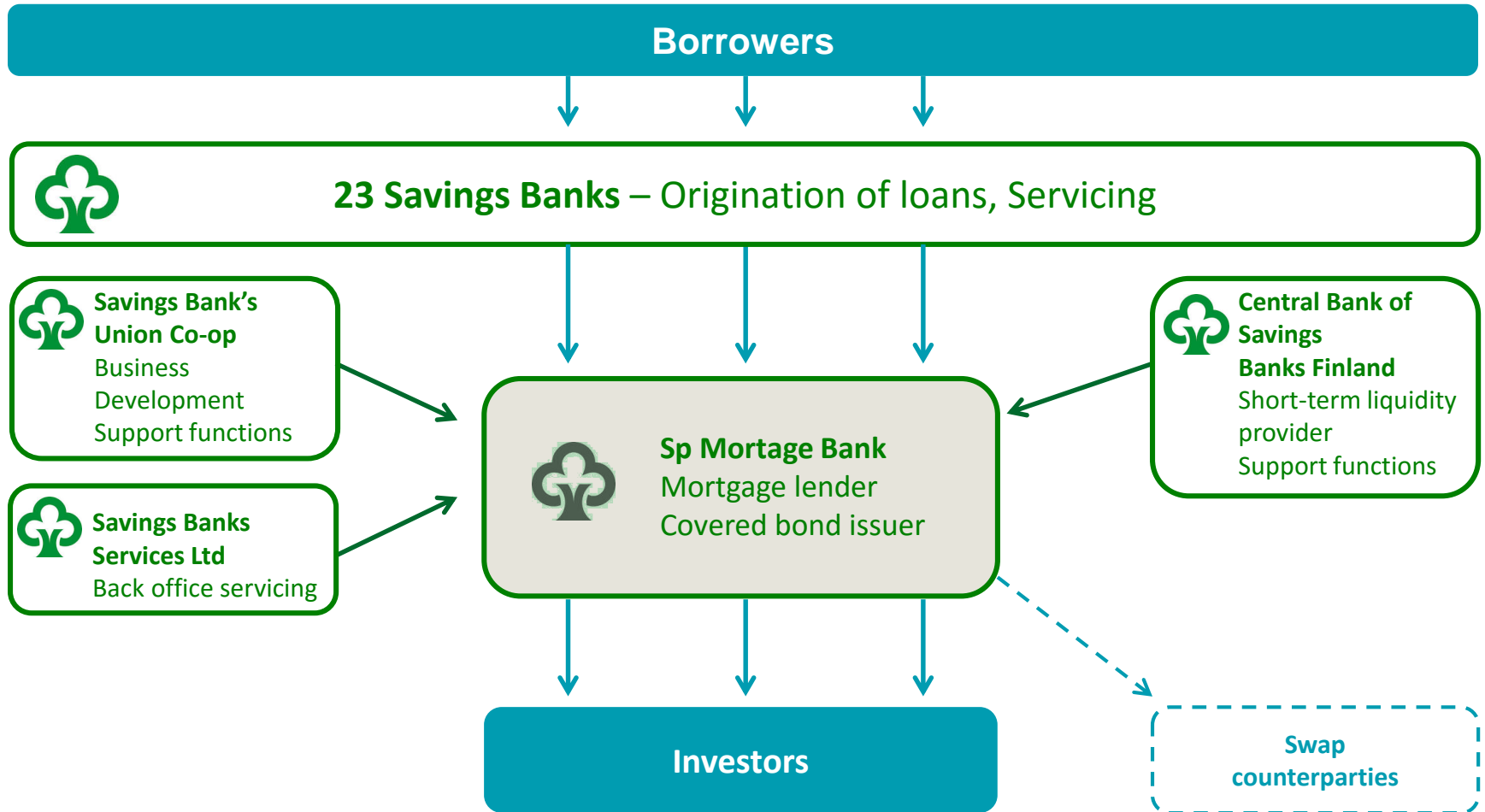
- Sp Mortgage Bank Plc is the covered bond funding vehicle of Savings Banks Group
- Licensed by the European Central Bank to issue covered bonds according to the Finnish covered bond legislation (Covered Bond Act (688/2010) or CBA)
- Sp Mortgage Bank's sole purpose is to raise funding for Savings Banks Group by issuing covered bonds with mortgage collateral
- Sp Mortgage Bank is 100% owned by the Savings Banks in the Group
- The covered bonds issued are rated AAA by S&P and are ECB eligible
- In addition to the joint liability, investors in the covered bond will benefit from the ring-fenced structure of the cover pool. Sp Mortgage Bank benefits fully from the joint liability based on the Act on the Amalgamation of Deposit Banks



Sp Mortgage Bank's covered bond programme complies with European Covered Bond Council's (ECBC) Covered Bond Label

Read more about ECBC Covered Bond Label at www.coveredbondlabel.com

Sp Mortgage Bank - Operating model and roles



Cover pool characteristics as of 31 December 2017

Pool size	EUR 1,485.2 million
Collateral	100% Finnish prime mortgages
Geographical distribution	Throughout Finland, a majority in growth centers and their close proximity
Average loan size	EUR 92,100
Number of loans	16,133
Average LTV (indexed/unindexed)	58.5% / 58.4%
Average seasoning	33.1 months
Non-performing loans / loans in arrears	0 bp / 5 bps
Interest base	99.3% variable, 0.7% fixed
Over-collateralisation	48.5%



Geographically well diversified cover pool

- The cover pool is well diversified throughout Finland with a majority in close proximity to key growth centers.
- Housing price development through the country has been stable.

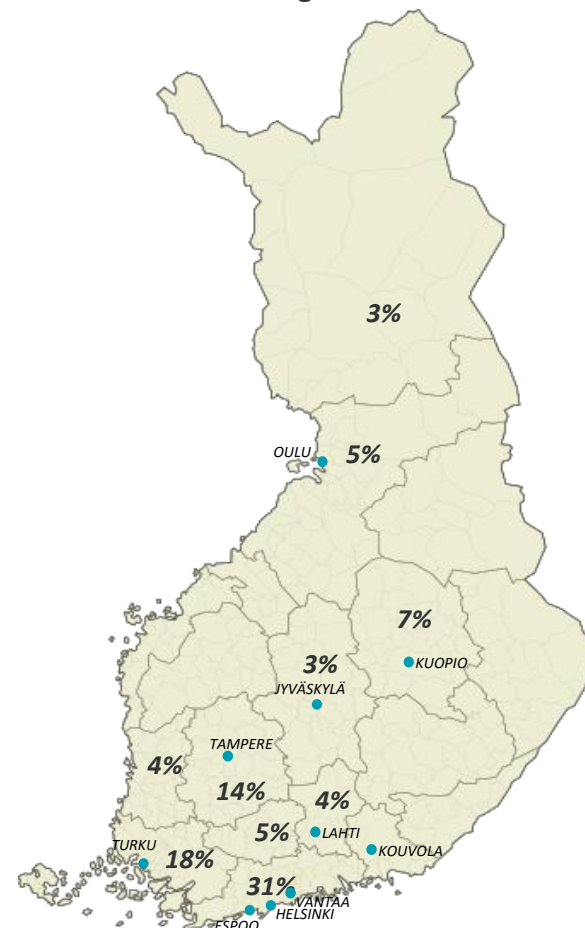
Regional distribution of cover pool as of 31 December 2017

Region	Major City	Region's Population(1)	Mortgages, EUR mn	Share of the pool
Uusimaa	Helsinki	1,620,261	458	31 %
Varsinais-Suomi	Turku	474,323	260	18 %
Pirkanmaa	Tampere	506,114	210	14 %
Pohjois-Savo	Kuopio	248,129	103	7 %
Pohjois-Pohjanmaa	Oulu	410,054	80	5 %
Kanta-Häme	Hämeenlinna	174,710	69	5 %
Päijät-Häme	Lahti	201,615	61	4 %
Satakunta	Pori	222,957	55	4 %
Lappi	Rovaniemi	180,858	46	3 %
Keski-Suomi	Jyväskylä	275,780	43	3 %
Rest of Finland	-	1,172,507	100	7 %
TOTAL		5,487,308	1,485	100 %

Sources: (1) Statistics Finland: Finnish Regional Population 31.12.2015

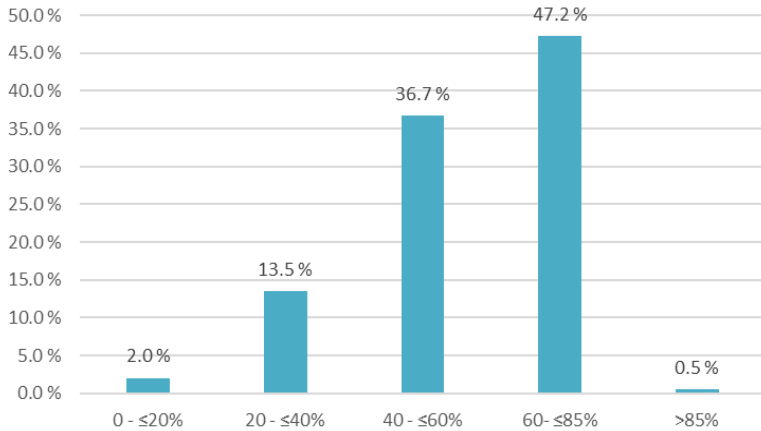
(2) The Association of Finnish Local and Regional Authorities: City population 1.1.2016

Regional distribution of cover pool and Finland's 10 largest cities⁽²⁾

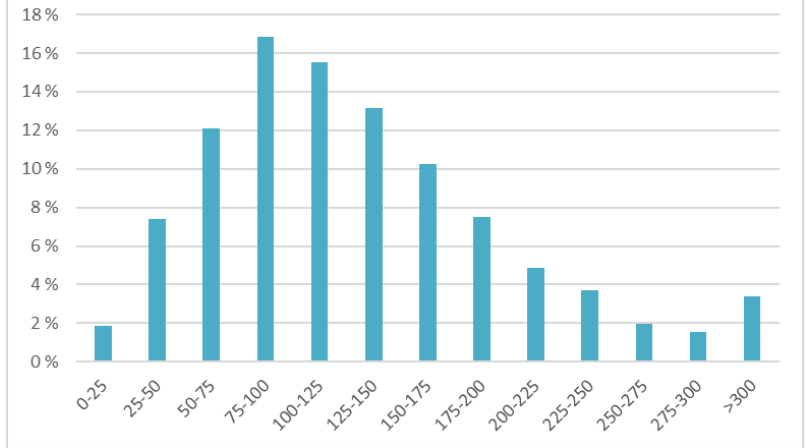


Breakdown of cover pool as of 31 December 2017

LTV distribution

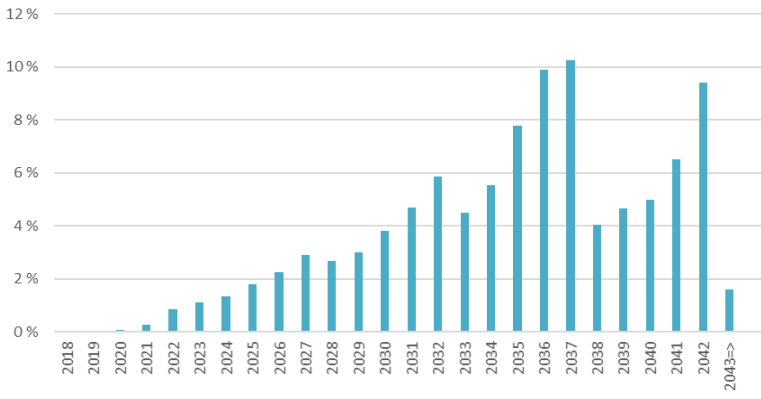


Loan distribution by size

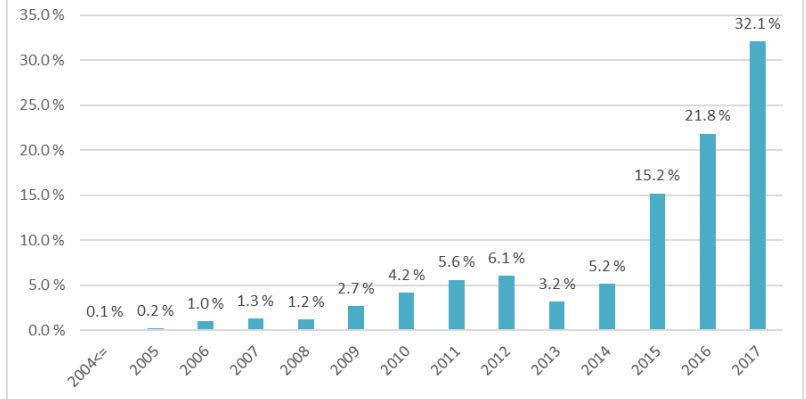


Loan balance, EUR thousand

Loan maturity profile



Loan balance by origination year



Underwriting criteria

Sp Mortgage Bank's credit policy	<ul style="list-style-type: none">• Aligned with the overall credit policy of the Savings Banks Group• Complies with the requirements of the CBA
Customer identification	<ul style="list-style-type: none">• Customers must be identified and verified, also regarding age and legal capacity• Customers' background and financial position must be determined, including both external (credit bureau) and internal payment defaults
Customer scoring	<ul style="list-style-type: none">• A customer is application scored every time when applying for a new mortgage
Income verification	<ul style="list-style-type: none">• Customers' income is always verified• For current customers income and source of the income can be checked on bank account details in the bank• For new customers income is checked by using pay slips and/or taxation information
Assessment of the customer's repayment ability	<ul style="list-style-type: none">• A customer must have sufficient repayment abilities for the repayment of the loan• When calculating customer's available income for interest and loan management costs exposures to Amalgamation and other parties are taken into account• Stress test with a 6% fixed interest rate level and 25 years maximum repayment period
Follow-up	<ul style="list-style-type: none">• Existing loan stock is scored on a monthly basis with a scoring model taking into account changes in customers' payment behaviour

Collaterals, loan decision, servicing and collection

Collaterals

- All collaterals are located in Finland
- Only residential purposes (real estates or shares in housing companies)
- Only prior ranking pledges
- Must be valued by a valuer independent of the credit decision process
 - Either valuation maximum of one year old
 - Both contract of sale and valuation certificate
 - Genuine (not between related parties) recent contract of sale
 - Or external qualified valuer
- Revaluation quarterly based on the housing index data provided by Statistics Finland

Loan decision

- Preparation of a loan decision and actual loan decision must always be done by two separate persons
- Loan-to-Value ratio is max 70% or with a State Guarantee up to 85%

Servicing and collection

The originating Savings Banks are responsible for:

- Servicing the Mortgage Loans together with the Back Office company
- Collection / foreclosure processes as any non-performing Mortgage Loan is transferred back to the originating Savings Bank

Contact details

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Member of Board, Sp Mortgage Bank

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 Sp Mortgage Bank Plc

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00510 Helsinki
Finland

Read more at www.saastopankki.fi/debtinvestors

Appendix



Savings Bank

Central Bank of Savings Banks Finland rated 'A- / A-2'

S&P Global Ratings Research Update dated April 28, 2017:

“We now consider that the Savings Bank Group of Finland, with Sp Central Bank as the group's central credit institution, is operating as a cohesive banking group, demonstrated by a common strategy, unified risk culture, and guidelines. Furthermore in line with its plans, the group has now established access to both secured and unsecured funding, which allows it to resume growth of its lending business after sluggish development due to funding constraints in 2013-2015. We now assess Savings Bank Group's business risk position as moderate, in line with other regional peers operating in the Nordics.”

S&P Global

A- / A-2

stable outlook

“The group has started to benefit from its legal and operating setup in place since December 2014, seen in a 10% recorded loan growth in 2016 and stable operating profitability. Organic growth made up about half of the loan growth, mainly driven by retail mortgage lending. The other half resulted from the transfer of the remaining loan assets from Aktia Bank, with whom the group cooperated in covered bond issuance. We expect the transfer of remaining loan assets to be completed by May 2017. “

“At the same time, the group has increased its cross-selling activities--especially in life insurance and asset management products—which we expect to lead to an increase in broad-based customers and a more diversified operating revenue base. We expect initiatives to combine the specialized product companies in the heart of the group to further improve the unified product offering. Similarly, the creation of a groupwide joint back office by merging existing back office companies will gradually improve operating efficiency. We expect the improving franchise to boost organic growth and profitability in 2017-2018.”

“In addition to the above, the group credit profile (GCP) reflects our 'a-' anchor for Finnish banks, and the group's very strong capital and earnings, mainly due to our expectation of an increase in our risk-adjusted capital (RAC) ratio to about 17.5%-18.0% in the next 12-24 months. It equally reflects the group's moderate risk position, due to concentration risks in its loan book, partly mitigated by a high level of collateralization; its average funding and adequate liquidity, owing to sound funding metrics; its sound funding profile, dominated by customer deposits; and its comfortable liquidity position. We assess the unsupported GCP at 'a-'.”

Act on Mortgage Credit Bank Operations 1/2

- Act on Mortgage Credit Bank Operations (CBA, statute 688/2010)
- Segregation of assets in the bond register (issued covered bonds, collateral, relevant derivative contracts)
- Covered bonds are issued either by specialized mortgage credit bank or any licensed credit institution authorized by FIN-FSA to engage mortgage credit bank business
- Cover pool can consist of mortgage collateral (both residential and commercial) and public sector loans. LTV for residential mortgage assets 70% and 60% for commercial mortgages.
- Matching collateral requirements
 - Total value of the cover pool must exceed the outstanding amount of issued covered bonds
 - Over-collateralization requirement set as net present value of the cover pool has to exceed that of the covered bonds by 2%.
- Liquidity requirements
 - Average maturity of issued covered bonds must not exceed the average maturity of the mortgage loans in the cover pool
 - For any 12 month period the accrued interest of the cover pool assets must exceed the total amount payable for covered bonds and derivative transactions
- Swap counterparties to covered bond programs rank equally with bondholders if the issuer becomes insolvent. This improves the chances of attracting third-party counterparties to provide hedging for the programs, even after the issuer defaults.
- Streamlined set-up if the covered bond issuer becomes insolvent. Effective ring fencing of the assets will allow the dedicated administrator to take charge of the cover pool to repay covered bonds when they fall due

Act on Mortgage Credit Bank Operations 2/2

- Bankruptcy remoteness and preferential claim
 - Covered bond shall be paid until its maturity in accordance with the terms and conditions of the covered bond from the funds accruing on the cover pool assets of the covered bond before other claims
 - Holders of covered bonds together with counterparties of registered derivatives and bankruptcy liquidity loans in bankruptcy would rank pari passu and in respect of each Mortgage Loan included in the cover pool for a covered bond, the priority of payment right in accordance with Section 25 of the CBA is limited to a maximum amount which corresponds to 70% in respect of Housing Loans and to 60% in respect of Commercial Property Loans of the current value of shares or real estate which stand as collateral
- Post-bankruptcy procedures
 - When the issuer has entered into liquidation or bankruptcy proceedings, the FIN-FSA shall, without delay, appoint a supervisor in accordance with Section 29 of the Finnish Act on the Financial Supervisory Authority to protect the interests of creditors of covered bonds and creditor entities comparable to such and to enforce their right to be heard
 - In bankruptcy proceedings the courts will by operation of law appoint a bankruptcy administrator to administer the bankruptcy estate. The cover pool will be run by the bankruptcy administrator, but the supervisor will supervise the bankruptcy administrator, acting in the interest of the holders of the covered bonds.
 - To the extent that claims of the Covered Bondholders in respect of the Covered Bonds are not met out of the Cover Pool, the residual claims of the Covered Bondholders will rank pari passu with the unsecured and unsubordinated obligations of the Issuer.

Thank you!

www.saastopankki.fi



Savings Bank