BASE PROSPECTUS

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC

(incorporated with limited liability in the Republic of Finland)

EUR 2,000,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved by the Central Bank of Ireland (the "**CBI**"), as competent authority under Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "**Prospectus Directive**")). The CBI only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the "**ISE**") for the notes (the "**Notes**") issued under the EUR 2,000,000,000 Medium Term Note Programme (the "**Programme**") during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Main Securities Market**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC ("**MiFID**") and/or which are to be offered to the public in any member state of the European Economic Area. The Main Securities Market is a regulated marker for the purposes of MiFID. This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

The Notes to be issued under the Programme may be rated A- by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). S&P is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation. Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.

Arranger

NORDEA

Dealers

CRÉDIT AGRICOLE CIB

DANSKE BANK

DEUTSCHE BANK

LANDESBANK BADEN-WÜRTTEMBERG

8 April 2015

IMPORTANT NOTICES

Central Bank of Savings Banks Finland Plc (the "**Issuer**") accepts responsibility for the information contained in this Base Prospectus and any Final Terms and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

This Base Prospectus must be read and construed together with any supplements hereto and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Stabilisation

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Certain definitions

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area and references to "**Euro**", "**EUR**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Base Prospectus:

The "**Savings Banks**" refer to the following savings banks belonging to the Amalgamation from time to time, as at the date of this Base Prospectus: (1) Aito Säästöpankki Oy, (2) Avain Säästöpankki, (3) Ekenäs Sparbank, (4) Eurajoen Säästöpankki, (5) Helmi Säästöpankki Oy, (6) Huittisten Säästöpankki, (7) Kalannin Säästöpankki, (8) Kiikoisten Säästöpankki, (9) Kristinestads Sparbank, (10) Kvevlax Sparbank, (11) Lammin Säästöpankki, (12) Liedon Säästöpankki, (13) Länsi-Uudenmaan Säästöpankki, (14) Mietoisten Säästöpankki, (15) Myrskylän Säästöpankki, (16) Nooa Säästöpankki Oy, (17) Närpes Sparbank, (18) Pyhärannan Säästöpankki, (19) Someron Säästöpankki, (20) Suomenniemen Säästöpankki, (21) Sysmän Säästöpankki, (22) Säästöpankki Optia, (23) Säästöpankki Sinetti, (24) Ylihärmän Säästöpankki and (25) Yttermark Sparbank.

The "**Union Co-op**" refers to the Savings Banks’ Union Co-op.

The "**Amalgamation**" refers to the Union Co-op and those entities amalgamated with it from time to time pursuant to the Amalgamations Act, currently comprising the Issuer, the Savings Banks, SP Back Office Oy, SP Taustataiturit Oy, Sp-Fund Management Company Ltd and Sp-Mortgage Bank once established.

The "**Member Credit Institutions**" refers to the Issuer, the Savings Banks and Sp-Mortgage Bank once established.

The "**Group**" refers to those Savings Banks Group’s entities that are consolidated for accounting purposes.

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OVERVIEW

Issuer:	Central Bank of Savings Banks Finland Plc (the "**Issuer**")
Programme Amount:	Up to €2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Arranger:	Nordea Bank Danmark A/S (the "**Arranger**")
Dealers:	Crédit Agricole Corporate and Investment Bank Danske Bank A/S Deutsche Bank AG Landesbank Baden-Württemberg (together with the Arranger, the "**Dealers**")
Fiscal Agent:	Deutsche Bank AG, London Branch (the "**Fiscal Agent**")
Registrar:	Deutsche Bank Trust Company Americas (the "**Registrar**")
Currencies:	Notes may be denominated in Euros or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Method of Issue:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Denominations:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) (subject to compliance with all applicable legal and/or regulatory and/or central bank requirements), save that the minimum denomination of each Note will be €100,000 (or the equivalent in any other currency).
Maturities:	Any maturity, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Listing and Trading:	Application has been made to the Irish Stock Exchange for the Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and to trading on its regulated market.
Status of Notes:	The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as completed by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced by the relevant Drawdown Prospectus.

Issue Price:	Notes may be issued at any price. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Interest:	Notes may be interest bearing or non interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and may vary during the lifetime of the relevant series.
Forms of Notes:	Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes. Each Tranche of Bearer Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**") or a permanent global note (the "**Permanent Global Note**"), in each case as specified in the relevant Final Terms (each a "**Global Note**"). Each Global Note which is not intended to be issued in new global note form ("**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. Certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Each Tranche of Registered Notes will be represented by either Individual Note Certificates or a Global Registered Note, in each case as specified in the relevant Final Terms. Each Global Registered Note which is not intended to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), as specified in the relevant Final Terms, will be registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary. Each Global Registered Note intended to be held under the New Safekeeping Structure, as specified in the relevant Final Terms, will be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.
Redemption:	Unless previously redeemed, or purchased and cancelled, Notes will be redeemed at their Final Redemption Amount (as specified in the relevant Final Terms) on the Maturity Date.

Optional Redemption:	Subject to certain Conditions, Notes may be redeemed before the Maturity Date at the option of the Issuer (as described in Condition 9(c) (*Redemption and Purchase – Redemption at the option of the Issuer*)) or at the option of the Noteholders (as described in Condition 9(e) (*Redemption and Purchase – Redemption at the option of Noteholders*)), to the extent (if at all) specified in the relevant Final Terms.
Early Redemption:	Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons, as described in Condition 9(b) (*Redemption and Purchase – Redemption for tax reasons*), following an AA Put Event (as defined in the "Terms and Conditions of the Notes"), as described in Condition 9(f) (*Redemption and Purchase – Amalgamation Act Put Option*).
Taxation:	All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Finland or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as described in Condition 12 (Taxation).
Clearing Systems:	Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**" and together with Euroclear, the "**ICSDs**") and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its respective obligations under the Notes are discussed under "*Risk Factors*" below.
Governing Law:	English law.
Ratings:	As at the date of this Base Prospectus, the Notes issued under the Programme may be rated A- by Standard & Poor's Credit Market Services Europe Limited.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Japan and the Republic of Finland, see "*Subscription and Sale*" below.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider the risk factors associated with any investment in the Notes, the business of the Issuer and the industry(ies) in which it operates together with all other information contained in this Base Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

Prospective investors should note that the risks relating to the Issuer, the industry(ies) in which it operates and the Notes summarised in the section of this Base Prospectus headed "Overview" are the risks that the Issuer believes to be the most essential to an assessment by a prospective investor of whether to invest in the Notes. However, as the risks which the Issuer faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Base Prospectus headed "Overview" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Risk factors associated with the Group's operating environment

Uncertain global economic and financial market conditions could adversely affect the Group's business, results of operations, financial condition, liquidity and capital resources

The global credit crisis and the subsequent global recession that began in 2008 have had an adverse effect on general business conditions, have caused increased unemployment and have lowered business and consumer confidence. Despite the measures taken by various governmental and regulatory authorities as well as central banks around the world, the economic recovery has been slow. Austerity measures, which aim to balance the public sector finances in the euro area, are causing a general decline of economic activity in Europe which is dampening growth prospects in the region. In recent years, the general economic and financial market conditions in Europe and other parts of the world have repeatedly undergone significant turmoil due to, among other factors, the ongoing sovereign debt crisis in certain European countries, particularly certain eurozone Member States, including Cyprus, Greece, Italy, Ireland, Portugal and Spain. Although the financial state of distressed euro area Member States has improved and speculations on the break-up of the euro area have decreased since late 2012, no assurances can be made that economic recovery will happen or continue. There is still a risk that the global economy could remain in or fall back into a recession, or even a depression, that could be deeper and last longer than the recession experienced in 2008 and 2009. In addition, the current situation in Ukraine and the sanctions imposed by the United States and the European Union could have an adverse effect on the global economy which could in turn undermine the competitiveness of the Group's corporate clients, such as small Finnish companies.

The financial results of the Group (as defined above in the section headed "*Important Notices*") are affected by many factors, the most important of which are the general economic situation and its impact on the demand for banking services, such as housing loans. Moreover, the current uncertainty and lack of visibility in the financial markets and macroeconomic conditions have in general adversely affected access to financing and increased the cost of capital. Deterioration in market conditions could result in difficulties for the Group's customers in meeting their payment obligations, which could lead to increased disruptions in repayments of loans, as well as write-downs and loan losses. Deterioration in the general economic situation could also reduce demand for loans, such as housing loans and other products, leading to reduced net interest income from the banking business.

Moreover, income generation in the Group's retail banking is significantly affected by changes in the interest rate level. Interest rate risk arises when interest rate fixing periods or interest rate bases for assets and those for liabilities are mismatched. Net interest income comprises a substantial part of the Group's total income. Furthermore, the recent low interest rate levels have not been beneficial to the Group, since low interest levels have a negative impact on the Group's net interest income.

The market value of financial assets held by the Issuer or the Savings Banks may also be affected. Furthermore, deterioration in the general economic situation could increase the Issuer's or the Savings Banks' refinancing costs and hamper the Issuer's or the Savings Banks' refinancing options.

Although the Issuer's management believes that the Issuer's capital structure will provide sufficient liquidity to conduct the Group's day-to-day banking business even when there is uncertainty in the global economy and financial markets, there can be no assurance that the Issuer's liquidity and access to financing will not be affected by changes in the financial markets or that its capital resources will, at all times, be sufficient to satisfy the Group's liquidity needs.

The Amalgamation may be exposed to risk related to availability of funding, and the Amalgamation may not be able to maintain adequate liquidity

The Issuer acts as a central credit institution for the Savings Banks meaning that the Issuer is responsible for the Amalgamation's payments and wholesale funding in money and capital markets. The Issuer supports the Savings Banks' liquidity management and provides the Savings Banks with refinancing solutions. Thus, the Issuer is responsible for the whole Amalgamation's liquidity and funding from money and capital markets.

Should the demand for housing and corporate loans suddenly increase, the Amalgamation may find that its deposits are no longer a sufficient source of funding for the Amalgamation's financing needs, and the Amalgamation would therefore need to seek other forms of funding. Furthermore, the Savings Bank's cooperation with Aktia Real Estate Mortgage Bank Plc for wholesale funding ended in October 2012. There can be no assurance that alternative sources of funding will be available on competitive terms or at all. Some of the proceeds of the Notes issues may be used for bridge funding in relation to the on-going and future transfer of Aktia Real Estate Mortgage Bank Plc’s housing loans to the balance sheets of the Savings Banks and/or to Sp-Mortgage Bank, which is to be established.

Liquidity risk means the risk of the Issuer being unable to meet its payment obligations, to refinance its loans when they fall due, and to meet its obligations as a creditor. This risk could materialise if market conditions worsen substantially and the Issuer is unable to maintain adequate liquidity.

The Savings Banks are exposed to risks relating to the outflow of deposits

Deposits comprise a major share of the Savings Banks' funding. Should the current financial situation lead to a significant outflow of deposits, the Savings Banks' funding structure would change substantially and the average cost of funding would increase. Furthermore, this would jeopardise the Savings Banks' liquidity, and the Savings Banks would be unable to meet their current and future cash flow and collateral needs, both expected and unexpected, without affecting their daily operations or overall financial position. Therefore, this could have a negative impact on the Savings Banks' business, results of operations and financial conditions.

The market for the Savings Banks' core business areas remains highly competitive

The financial services market remains highly competitive in the local and regional markets where the Savings Banks operate. For example, the margins of housing loans are decreasing due to competition. In addition, the operating environment of the financial services market faces significant changes. Innovative competition comes both from established players and a steady stream of new market entrants and may take the form of new products or operating models such as digitalisation. The market is expected to remain highly competitive in the Savings Banks' core business areas, which could adversely affect the Savings Banks' business, results of operations and financial conditions.

Systemic risks may have negative impacts on markets in which the Group operates

Payment defaults, bank runs and other types of financial distress or difficulties in a foreign or domestic bank or other financial institution may lead to a series of liquidity problems and losses as well as payment and other difficulties in other companies operating in the financial sector, due to the interconnectedness of the domestic and global financial systems and capital markets. If one financial institution experiences difficulties it could have spillover effects on other institutions through, for example, lending, trading, clearing and other linkages between financial institutions. These types of risk are called 'systemic risks' and they can have a significant negative impact on markets in which the Group operates on a daily basis which can, in turn, adversely affect the Group's business, results of operations and financial condition.

Risk factors associated with the Amalgamation's operations

The Amalgamation's strategy or its execution may fail

Each Savings Bank has its own strategy based on and aligned with the Group's strategy. Strategic risks refer to losses that may arise from the choice of an incorrect business strategy in view of the developments in the Amalgamation's operating environments. The Amalgamation aims to minimise strategic risks by regularly updating its strategic and annual plans. In planning, the Amalgamation utilises the analyses of its central institution, the Union Co-op, on the state and development of the Savings Banks as well as forecasts by other economic analysts on the development of the Amalgamation's industries, the competitive landscape and the macroeconomic environment.

However, the Amalgamation or individual Savings Banks may be unable to successfully execute their strategies, and the Amalgamation's strategy may not be competitive or may be insufficient to meet customer requirements in the future as competition increases and customer offerings develop in the markets internationally.

Operational disturbances and events may affect the Amalgamation's business operations

Operational risks refer to losses that may arise from shortcomings in internal systems and processes and the conduct of personnel or from external factors having an impact on business. Operational risk may also materialise in terms of loss or deterioration of reputation or trust.

The Amalgamation monitors the nature of operational risks, their occurrence and the volume of damages or losses in the event of an operational risk incident. The Board and senior management of the Member Credit Institutions receive regular reporting on operational risks based on the collected data concerning operational risk events and damage/loss incurred. The Union Co-op’s Board receives regular reports on the status of the most significant operational risks faced by the Amalgamation. The reports detail realised operational risk events, any IT disruptions as well as the quality of outsourced services, the coverage provided by insurance policies and the status reports of data security.

Strategic and operative risks, if realised, could have a material adverse effect on the capital adequacy, business operations, financial standing, business results, prospects and solvency of the Group as well as on the value of the Notes.

The Savings Banks' loan portfolio may expose the Amalgamation to credit risks, and the Amalgamation's credit loss estimates may prove to be inaccurate

The growth of the Savings Banks' combined loan portfolio amounted to 6.6 per cent. in 2014. During 2014, the Savings Banks' loan portfolio grew from EUR 5.3 billion to EUR 5.6 billion. The key customer groups of the Savings Banks are Finnish private individuals, small and medium-sized enterprises ("**SMEs**") and agricultural customers. As the key customer groups consist of Finnish customers, it cannot be overlooked that the Savings Banks' business, results of operations and financial condition could be adversely affected by this geographical risk concentration in Finland. The majority of the funds raised by the Savings Banks have been granted as housing loans to their customers. As at 31 December 2014, households, SME's and agricultural customers made up 100 per cent. of the loans on the Group's balance sheet. The majority of the Group's loans, i.e. 71 per cent. have been granted against residential housing serving as collateral for the underlying loan. Therefore, although corporate loans provide diversification against the credit risk posed by the housing loans, the Amalgamation's credit risk is mainly dependent on the Savings Banks' housing loan portfolio.

Unemployment and the interest rate level are the most significant general economic factors which might adversely affect retail customers' ability to repay their loans. Furthermore, fluctuations in housing prices and general activity in the housing market could adversely affect both customers' debt servicing ability as well as the realisation value of collateral.

Despite the positive effects that come from the generation of interest income, the growth of the Savings Banks' loan portfolio may also have negative effects. The growth of the loan portfolio in the current market environment may subsequently result in loan losses as the Savings Banks' customers may be unable to meet their obligations.

The Savings Banks' impairments in the 2014 financial period amounted to EUR 12.1 million (2013: EUR 6.8 million). The increase in impairments is primarily due to the Group companies harmonising their recording of impairments. The share of non-performing loans totalled 0.95 per cent. (2013: 0.95 per cent.), with no increase to the previous year. Estimating and pricing credit risks as well as the realisation time and value of collateral is, however, uncertain, and therefore possible impairments could adversely affect the Savings Banks' business, results of operations and financial condition. There is no guarantee that loss estimates will reflect actual future losses. If the level of impairments and non-performing loans is higher than anticipated, it may have a material adverse effect on the Savings Banks' business, results of operations and financial condition.

Noteholders are exposed to credit risk relating to the Amalgamation and the Issuer as a part of it

Noteholders take a credit risk on the performance of the Issuer, the Group and the Amalgamation. Receipt of payments under the Notes by a Holder is dependent on the Issuer's ability to fulfil its payment obligations, which is in turn dependent upon the development of the Group's and Amalgamation's business. Notwithstanding the joint liability under the Act on the Amalgamations of Deposit Banks (599/2010, as amended) (in Finnish *laki talletuspankkien yhteenliittymästä*), (the "**Amalgamations Act**") between the Issuer and the Savings Banks, there is no guarantee in place which directly ensures the repayment of Notes issued under this Programme. The payment obligations under the Notes are solely unsecured obligations of the Issuer and are not obligations of, and are not guaranteed by, the Union Co-op nor any Savings Bank. For more information on the Amalgamation and the joint liability, see "*The Amalgamations Act—Joint liability of the Amalgamation*".

The Amalgamation may be unable to maintain its desired capital adequacy position

The Issuer's banking licence is dependent upon, among other things, the fulfilment of capital adequacy requirements in accordance with the applicable regulations which are the Finnish Act on Credit Institutions (*Laki luottolaitostoiminnasta*, 8.8.2014/610, as amended), (the "**Credit Institutions Act**") or the Amalgamations Act and the regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013, the "**CRD IV Regulation**"). Under these acts and regulation, the Issuer is primarily supervised by the FIN-FSA. Additionally, since 4 November 2014, the Issuer has been subject to indirect supervision by the European Central Bank ("**ECB**"). The Issuer's capital structure and capital adequacy ratio may have an effect on the availability and costs of funding operations. Moreover, the absence of a sufficiently strong capital base may constrain the Issuer's growth and strategic options. Significant unforeseen losses may create a situation under which the Issuer is unable to maintain its desired capital structure.

The Issuer's capital adequacy is related to the availability of additional capital in the future. Negative changes in the capital adequacy position, such as a decrease in equity or an increase in risk-weighted items could have an adverse effect on the availability and cost of the Issuer's funding and, consequently, have an adverse effect on the Issuer's business, results of operations and financial condition.

The Group is exposed to risks relating to brand, reputation and market rumours

Among other factors, the Group relies on its well-known and respected brand and good reputation in Finland when competing for customers. During the current turbulent market environment, having a good reputation is of particular importance as financial institutions are particularly susceptible to the negative impacts of rumours and speculation regarding their solvency and their ability to access liquidity. The brand and reputation of the Group can be affected by other factors outside the control of the Group. There can be no certainty that rumours or speculation would not arise and that such rumours or speculation, whether founded or not, would not have such an impact in the future.

Possible future decisions by the Group concerning its operations and the selection of services and products offered may have a negative effect on the Group brand. Furthermore, if global economic conditions continue to be uncertain and unstable and continue to particularly impact the financial services sector, the Group may suffer from rumours and speculation regarding, among other things, its solvency and liquidity situation. Negative developments in the Group's reputation and brand as well as negative views of consumers concerning the Group's products and services or rumours concerning the Group may have an adverse effect on the Group's business, results of operations and financial condition.

Customers and counterparties may file damages claims against the Savings Banks or the Group

The customers' or counterparties', of the companies belonging to the Group, may make claims against the Savings Banks or the Group that may result in legal proceedings. These risks include, among others, potential liability for the sale of unsuitable products to the Savings Banks' customers (misselling) or managing customer portfolios against customer instructions due to, for example, human error or negligence, as well as potential liability for the advice that the Savings Banks provide to participants in securities transactions, or liability under securities or other laws in connection with securities offerings.

Should the Savings Banks or the Group be found to have breached their obligations, they may be obligated to pay damages. Such potential litigation could also have a negative impact on the Group's reputation among its counterparties. Furthermore, the Group may face material adverse consequences if contractual obligations should prove to be unenforceable or be enforced in a manner adverse to the Group or should it become apparent that the Group's intellectual property rights or systems were not adequately protected or in operable condition.

The materialisation of any legal risks such as described above or any potential damages to be paid by the Group or the loss of its reputation may be substantial and could have an adverse effect on the Group's business, results of operations and financial condition.

The Group is exposed to system and information security risks

The Group's daily operations involve a large number of transactions, which rely on the secure processing, storage and transfer of confidential and other information in the Group's IT systems and information networks. Even though the Group utilises protective systems, the Group's IT system, equipment and network may be susceptible to unauthorised use, computer viruses and other harmful factors. With regards to maintaining IT systems and providing IT services, the Group relies to a considerable extent on Samlink Group, in which the Savings Banks together constitute a majority shareholder (42%). Any failure by Samlink Group to maintain and develop IT systems or deliver agreed services as the Group requires could have a material adverse effect on the Group's business.

Furthermore, the Group's operations depend on confidential and secure data processing. As part of its business operations, the Group stores personal and banking specific information provided by its customers which in Finland are subject to certain regulations concerning privacy protection and banking secrecy. The Group may incur substantial costs if information security risks materialise. Resolving system and information security problems may cause interruptions or delays in the Group's customer service, which could have an adverse effect on the Group's reputation and persuade customers to abandon the Group's services or to present the Group with claims for compensation. Furthermore, if the Group fails to effectively implement new IT systems or to adapt to new technological developments, it may incur substantial additional expenses or be unable to compete successfully in the market. Any one of the aforementioned factors could have an adverse effect on the Group's business, results of operations or financial condition.

There may be interruptions in the Group's business operations

The Group's business may be in danger of being interrupted due to sudden and unforeseeable events, such as disruptions to the distribution of power and data communications or water and fire damage. The Group may not be able to control such events within the scope of its present business continuity plans which may cause interruptions to business operations. Unforeseen events can also lead to additional operating costs, such as renovation and repairing costs, damages claims from customers affected by these events, higher insurance premiums and the need for redundant back-up systems. Additionally, insurance coverage for certain unforeseen risks may be unavailable, resulting in an increased risk for the Group. The Group's inability to effectively manage these risks could have a material adverse effect on the Group's business, results of operations or financial condition.

The Issuer's joint liability within the Amalgamation involves risks

Under the Amalgamations Act, the central institution (i.e. the Union Co-op) is liable for the debts of its member credit institutions. Furthermore, the member credit institutions, including each of the Savings Banks and the Issuer, are jointly liable for each other's debts. As a support measure referred to in the Amalgamations Act, the central institution shall be liable to pay to any of its member credit institutions the amounts necessary to prevent that credit institution from being placed into liquidation. The central institution shall also be liable for the debts of a member credit institution which cannot be paid using the member credit institution's own funds.

In turn, a Member Credit Institution is liable to pay to the Union Co-op its own share of the amount which the Union Co-op has paid to another Member Credit Institution either as support, as described above, or as payment to a creditor of another Member Credit Institution for an unpaid due debt. The total amount of liability of each Member Credit Institution is unlimited in case of the Union Co-op's liquidation or bankruptcy (as set out in Chapter 14, section 11 of the Act on Cooperatives). Otherwise, the liability to pay of each Member Credit Institution: (a) is limited to a proportional share of the total liability (each Member Credit Institution's liability for the amount which the Union Co-op has paid on behalf of one Member Credit Institution to its creditors is divided between the Member Credit Institutions in proportion to their last confirmed balance sheet totals); and (b) is only applicable if such Member Credit Institution has at least a minimum capital adequacy, (in each case as set out, determined and subject to limitations in accordance with Chapter 5 of the Amalgamation Act). Those entities within the Amalgamation that are not Member Credit Institutions will not be liable for Member Credit Institutions' debts under the Amalgamations Act. Accordingly the ability of any Noteholder to take action against an individual Member Credit Institution will be limited, and enforcement in respect of an individual claim may require enforcement actions to be brought against several different entities. This will represent an additional administrative burden and expense, and there can be no assurance that all or any of such enforcement actions will be successful.

As a member credit institution of the Amalgamation, the realisation of this risk factor could have a material adverse effect on the Issuer's business, results of operations and financial condition. For more information on the Amalgamation and the joint liability, see "*The Amalgamations Act—Joint liability of the Amalgamation*".

Changes in the composition of the Amalgamation may involve risks

The current composition of the Amalgamation may change, subject to certain restrictions. In accordance with the Amalgamations Act, a Member Credit Institution, such as the Issuer or one of the Savings Banks, has the right to withdraw from its central institution membership, i.e. the membership in the Union Co-op, by deciding to alter its bylaws or articles of association and by notifying the Union Co-op's board of directors in writing thereof, so long as, after such withdrawal, the consolidated capital of the companies within the Amalgamation remains at the level as prescribed by section 19 of the Amalgamations Act. The decision shall be valid only if the related proposal is supported by a two-thirds majority vote given by those at a cooperative meeting or meeting of trustees or if it is supported by at least a two-thirds vote given by those at a general meeting of shareholders and two-thirds of shares represented at the meeting. A calculation certified by the Union Co-op's auditors shall serve as proof of the maintenance of capital adequacy.

A Member Credit Institution may be expelled from the Union Co-op as specified in Chapter 3, section 3 of the Co-operatives Act or in case a Member Credit Institution has failed to comply with the instructions, issued by the Union Co-op by virtue of section 17 of the Amalgamations Act, in a manner that significantly endangers the management of liquidity or capital adequacy or the application of the standardised accounting policies or supervision of compliance with said policies, or in case a Member Credit Institution otherwise acts in material breach of the Amalgamation's general operating principles adopted by the Union Co-op.

Among other things, the Amalgamations Act provides that a precondition for the merger of a Member Credit Institution into a credit institution other than another Member Credit Institution is that the board of directors of the Union Co-op shall be notified in writing of said merger prior to approval of the merger plan and that the consolidated capital of the companies within the Amalgamation remains at the level as prescribed by section 19 of the Amalgamations Act. In accordance with the Companies Act, a merger must be supported by at least two thirds of the votes cast and the shares represented at the general meeting of the merging credit institution.

The provisions of the Amalgamation Act governing payment liability of a member credit institution shall also apply to a former Member Credit Institution which has withdrawn from the Union Co-op, when a demand regarding payment liability is made on the credit institution, provided that less than five years have passed from the end of the calendar year of the Member Credit Institution's withdrawal from the Union Co-op.

Irrespective of the payment liability described above, it cannot be excluded that possible withdrawals or expulsions from the Union Co-op's membership could adversely affect the Group's reputation and brand and, in turn, its business, results of operations and financial condition.

The Group risk management may not be adequate

Core values, strategic goals and financial targets form the basis for risk and capital adequacy management in the Group. The purpose of the Group's risk management is to identify threats and opportunities affecting strategy implementation. The objective is to help achieve the targets set in the strategy by ensuring that risks are proportional to the Group's risk-bearing capacity. Even though the Group's personnel follow the guidelines issued on risk management and implement measures which mitigate losses, there can be no certainty that these measures would be fully adequate to manage and control risks. Some of the qualitative tools and metrics used by the Group for risk management purposes are based upon the use of observed historical market behaviour as well as future predictions. These tools and metrics may fail to predict or predict incorrectly future risk exposures which could lead to losses for the Group. Factors described above or any other failure in risk management could cause substantial losses and adversely affect the Group's business, results of operations and financial condition.

Risks associated with regulation

Regulation and oversight of the Group's business operations

The Group operates within a highly regulated industry and its activities are subject to extensive supervisory and regulatory regimes including, in particular, regulation in Finland and in the European Union. The Group must meet the requirements set forth in the regulations regarding, *inter alia*, minimum capital and capital adequacy, reporting with respect to financial information and financial condition, marketing and selling practices, advertising, terms of business and permitted investments, liabilities, payment of dividends as well as regulations regarding the Amalgamation (for more information on the Amalgamation, see "*Information on the Savings Banks Group and the Amalgamation*"). In addition, certain decisions made by the Group may require approval or notification to the relevant authorities in advance.

All banks and financial services companies face the risk that regulators may find they have failed to comply with applicable regulations or have not undertaken corrective action as required. Regulatory proceedings could result in adverse publicity for, or negative perceptions regarding, the Group, as well as diverting management's attention away from the day-to-day management of the business. A significant regulatory action against the Group could have a material adverse effect on the business of the Group, its results of operations and/or financial condition. This may affect the ability of the Issuer to meet its obligations under the Notes.

As regards the supervision of the Issuer, the new Single Supervisory Mechanism ("**SSM**") commenced its operations in November 2014. The SSM is a system of financial supervision comprising the ECB and the national competent authorities of participating EU countries. The legal basis for the SSM is the Council Regulation (EU) No 1024/2013. The ECB commenced its supervisory role under the SSM on 4 November 2014. Within the SSM, the ECB will directly supervise so-called significant credit institutions, and will have an indirect role in the supervision of less significant credit institutions. Less significant credit institutions continue to be supervised by their national supervisors, in close cooperation with the ECB. Pursuant to the Finnish Credit Institution Act (8.8.2014/610, as amended) (in Finnish *laki luottolaitostoiminnasta*)) and the Council Regulation (EU) No 1024/2013, the Issuer is currently classified as a less significant credit institution and, therefore, the supervision of the Issuer under the SSM is primarily carried out by the Finnish Financial Supervisory Authority ("**FIN-FSA**"). However, under the

SSM, the ECB can decide to directly supervise any one of the less significant credit institutions to ensure that high supervisory standards are applied consistently.

One of the most significant reforms with respect to the regulation of banks is the new more rigorous capital adequacy requirements imposed on European banks. The new Capital Requirement Directive and Regulation (CRD IV Directive/CRD IV Regulation) was published in the EU Official Journal on 27 June 2013. These new rules and regulations entered into force on 1 January 2014 and will implement the Basel III standards within the EU during 2014–2019. These regulatory changes are aimed, for example, at improving the quality of banks' capital base, reducing the cyclic nature of capital requirements, decreasing banks' indebtedness and setting quantitative limits to liquidity risk.

The changes brought about by the regulation package may have an impact on the business and productivity of banks. The requirements concerning the amount and nature of acceptable capital will have an impact on the amount of equity that will be recognised in capital adequacy calculations and will drive the business of banks towards long-term, low-yield financing arrangements at the expense of short-term ones and towards searching for new ways to obtain financing. In the medium term, therefore, banks must focus on increasing their capital and liquidity, which will reduce dividends and restrict the distribution of profits. Increasing the capital and liquidity of the banks will have an adverse impact on the productivity of banking. It will also have an impact on capital management, the pricing of products and business, the willingness to grant credit and the rearrangement of liabilities.

Investors may show less interest in equity or debt issues by banks, as the changes resulting from the regulation package will reduce the dividends paid by banks due to the requirement to increase equity, the return on equity and also the operating profit. The tightening supervision of proprietary trading combined with the changes in capital requirements and the valuation of different investments may give rise to a need for reorganisations within banking conglomerates, for mergers and acquisitions and for divestments of assets or businesses.

The changes brought about by the regulation package may have an impact on the financial position and profitability of banks. As the demand for long-term financing increases, the financing available from institutional investors, which are generally aiming to reduce their holdings in the finance sector, may prove to be insufficient. More than before, small banks will face difficulties in obtaining financing and capital that satisfies the requirements, which will enable larger banks to exert control over the market price of financing. Even if the availability of financing could be secured, financing may not be available at a reasonable price and under reasonable terms. As a result, some current business models may no longer be profitable, and some banks may exit the market, which would reduce competition in the banking sector.

The impacts of these new capital adequacy requirements are not yet fully known. Due to the uncertainty related to the content and timing of future regulation, it is not possible to predict all the potential impacts of this new regulatory framework.

Other areas where changes could have an impact include, *inter alia*:

- changes in the monetary economy, the interest rate and the policies of central banks or regulatory authorities;
- general changes in government policy or regulatory policy which may have a material impact on investor decisions in specific markets in which the Group operates;
- changes in the competitive environment and pricing; and
- changes in the financial statements framework.

Any of the risks detailed above, if realised, could have a material adverse effect on refinancing opportunities, capital adequacy, business operations, financial standing, business results, prospects and payment capabilities of the Issuer as well as on the value of the Notes.

Stock exchange listing brings increased regulation

The stock exchange listing of notes issued by the Issuer and each member of the Group brings with it increased regulation and oversight of its business operations, such as increased requirements concerning the obligation to provide regular and on-going information.

If the Issuer and/or the Group were deemed to have neglected the obligations incumbent upon issuers of listed notes, this could have an adverse effect on the Issuer's business operations, its performance or its financial position and have a significant adverse effect on the Issuer's reputation.

The Group is exposed to risks related to changes in taxation

Tax risk refers to the risks associated with changes in, or errors in the interpretation of, taxation rates or law. This could result in increased charges or financial loss. A failure to manage this risk could adversely affect the Group's business, results of operations and financial condition.

Risks associated with abuse of the financial system

In global terms, the risk that banks may become the subject of or be exploited for the purposes of money laundering or the financing of terrorism has increased. The risk of future incidents involving money laundering or financing of terrorism is always in the background for financial institutions. Any breach of the rules that aim to prevent the illegal exploitation of the financial system or even the suspicion of such infringements could have grave legal consequences for the Group and its reputation, which, in turn, could have a significant adverse effect on the Issuer's business operations, its performance or its financial position.

Changes in accounting principles, standards and methods

The Group is exposed to financial reporting risks, which are related to the correctness and accuracy of the information reported by the segments and that the reporting is carried out in accordance with the IFRS, Finnish laws, rules and regulation.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks relating to the Notes

Set out below is a description of material risks relating to the Notes generally:

Amendments to the conditions of the Notes bind all Noteholders

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including such Noteholders who did not attend and vote at the relevant meeting and the Noteholders who voted in a manner contrary to the majority

With holding under the EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain EU Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Investors who are in any doubt as to their position should consult their professional advisers.

Payments on the Notes may be subject to U.S. withholding under FATCA

The U.S. 'Foreign Account Tax Compliance Act' ("**FATCA**") imposes a reporting regime and, potentially, a 30 percent withholding tax with respect to (i) certain payments from sources within the United States, (ii) 'foreign pass thru payments' made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. So long as the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see "*Taxation—FATCA*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make payments free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary or common safekeeper for the ICSDs (as bearer or registered holder of the Notes) and the Issuer therefore has no responsibility for any amount thereafter transmitted through the ICSDs, custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

There are uncertainties related to the implementation of Basel III / CRD IV

The rules applicable to the capital of financial institutions are being changed across the European Union in order to implement the Basel III measures issued by the Basel Committee on Banking Supervision. The European legislative package consists of a fourth capital requirements Directive and a new capital requirements Regulation, collectively known as "**CRD IV**". The CRD IV Regulation entered into force in Finland on 1 January 2014. The CRD IV Directive was implemented in Finland through the new Credit Institutions Act, which came into force on 15 August 2014.

CRD IV introduces significant changes in the prudential regulatory regime applicable to banks including: increased minimum capital ratios; changes to the definition of capital and the calculation of risk weighted assets; and the introduction of new measures relating to leverage, liquidity and funding. In respect of capital requirements, the CRD IV package set out several measures intended to improve the quality of capital requirements applied to banks in addition to raising the amounts thereof. These changes are intended to improve the ability of banks to absorb losses in both their day-to-day operations and in situations of insolvency in addition to creating buffers against the economic cycle. The purpose of the leverage ratio requirement is to decrease the risk of a build-up of excessive leverage in financial institutions and in the financial system as a whole. CRD IV permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the CRD IV leverage ratio, which are not expected to be finally implemented until 2018. Minimum capital requirements came into force from 1 January 2014 without transitional measures. In addition to these minimum capital requirements, according to the Credit Institutions Act, an additional capital conservation buffer requirement has been applicable from 1 January 2015. Furthermore, the FIN-FSA could have set a countercyclical capital buffer requirement as early as 1 January 2015 although as at the date of this Base Prospectus it has not yet done so.

In respect of liquidity requirements, the Basel Committee has supplemented their principles for sound liquidity risk management and supervision by fortifying their liquidity recommendations. The Basel Committee has introduced two new liquidity ratios for credit institutions. Firstly, in order to improve the short-term payment capabilities of financial institutions, a liquidity coverage ratio (LCR) will be implemented in 2015, pursuant to which the liquidity buffer comprised of high quality liquid assets (HQLA) must amount at least 100 per cent. of the stress-tested amount of monthly net cash outflows. This requirement must be met in stages by the year 2019. Secondly, the Basel Committee has developed the Net Stable Funding Ratio (the "**NSFR**") which aims to ensure that a firm has an acceptable amount of stable funding to support its assets and activities over a one year horizon. The NSFR is scheduled to enter into force in 2018 without a phase-in period.

CRD IV requirements adopted in Finland may change, whether as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards to be developed by the European Banking Authority (the "**EBA**") or changes to the way in which the FIN-FSA interprets and applies these requirements to Finnish banks (including as regards individual model approvals granted under CRD II and III). This may result in a need for further management actions to meet the changed requirements, such as: increasing capital, reducing leverage and risk weighted assets, modifying legal entity structure (including with regard to issuance and deployment of capital and funding for the Member Savings Banks) and changing the Group's business mix or exiting other business and/or undertaking other actions to strengthen Group's capital position. The changes brought about by the CRD IV requirements may have an impact on the financial position and profitability of the Issuer or the Savings Banks. Furthermore, as a result of the implementation of the Directive 2014/59/EU (the directive providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms) into Finnish legislation, the FIN-FSA became empowered to apply various early intervention tools to credit institutions (such as the Issuer and the Savings Banks) that fail to comply with the capital requirements set out in the CRD IV Regulation. Additionally, the FIN-FSA may cancel the Issuer’s or a Savings Bank’s license as a credit institution if they fail to comply with the requirements concerning their financial positions, calculated according to the regulations for capital adequacy specified in the Credit Institutions Act and CRD IV Regulation.

Pursuant to the Amalgamations Act, the FIN-FSA may grant a central institution a permission to decide that its member credit institutions may be exempted from the applicability of the CRD IV Regulation as regards the capital requirements in respect of the amount of credit institution's own funds. As at the date of this Base Prospectus, such permission had not yet been obtained.

European resolution regime and loss absorption at the point of non-viability

The full impact of the Recovery and Resolution Directive is not yet known

On 6 May 2014, the EU Council adopted the European Union directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**"). The BRRD was published in the Official Journal of the European Union in June 2014. The BRRD sets out the necessary steps and powers to ensure that bank failures across the EU are managed in a way which eliminates the risk of financial instability and minimises costs for taxpayers. The BRRD sets out a minimum standard of harmonisation and needs to be adopted through local legislation before it will become effective.

The BRRD contemplates that powers will be granted to supervisory authorities including (but not limited to) the introduction of a statutory "write-down and conversion power" and a "bail-in" power, which will give the relevant resolution authority the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes) of a failing financial institution and/or to convert certain debt claims (which could include the Notes) into another security, including equity instruments of the surviving Group entity, if any. The majority of measures set out in the BRRD (including the write-down and conversion powers relating to Tier 1 capital instruments and Tier 2 capital instruments) had to be implemented with effect from 1 January 2015, with the bail-in power for other eligible liabilities (which could include any Securities that are not Tier 1 or Tier 2 capital instruments) to apply from 1 January 2016 at the latest. The Finnish legislation implementing the BRRD entered into force on 1 January 2015. For more information on the implementation of the BRRD in Finland, see "*There are uncertainties related to the new Finnish resolution legislation implementing the BRRD Directive*".

As well as a "write-down and conversion power" and a "bail-in" power, the powers granted to the relevant resolution authority under the BRRD include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge bank" (a publicly controlled entity) and (iii) transfer the impaired or problem assets of the relevant financial institution to an asset management vehicle to allow them to be managed over time. In addition, among the broader powers granted to the relevant resolution authority under the BRRD, the BRRD provides powers to the relevant resolution authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments.

The BRRD contains safeguards for shareholders and creditors in respect of the application of the 'write down and conversion' and "bail-in" powers which aim to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings.

It is not possible to assess the full impact of the BRRD on the Group and on Noteholders, and there can be no assurance that the manner in which it is implemented or the taking of any actions by the relevant resolution authority would not adversely affect the rights of Noteholders, the price or value of an investment in the Notes and/or the Issuer's ability to satisfy its obligations under the Notes.

Article 518 of the CRD IV Regulation states that by 31 December 2015, the European Commission should review and report whether the CRD IV Regulation should be amended so as to include write-down and conversion powers to ensure that relevant capital instruments fully absorb losses at the point of non-viability of the issuing institution and before any other resolution action is taken. There is a risk that such an amendment would result in the Notes being used to absorb losses upon the occurrence of a non-viability event.

The exercise of any such power or any suggestion of such exercise could, therefore, materially adversely affect the value of any Notes subject to the BRRD and could lead to the Noteholders losing some or all of their investment in the Notes.

There are uncertainties related to the new Finnish resolution legislation implementing the BRRD Directive

The BRRD Directive has been implemented in Finland through the Act on Resolution of Credit Institutions and Investment Firms (1197/2014, as amended) (in Finnish *laki luottolaitosten ja sijoituspalveluyritysten kriisinratkaisusta*), (the "**Resolution Act**") and the Act on Financial Stability Authority (1198/2014, as amended) (in Finnish *laki rahoitusvakausviranomaisesta*). Both acts entered into force on 1 January 2015. The latter regulates the Finnish Resolution Authority (the "**FRA**"), which will be the national resolution authority having counterparts in all EU member states. The Ministry of Finance takes care of the responsibilities of the authority until the authority is fully operational (at the latest until 1 January 2016). Under the new regime, credit institutions are generally required to draw up recovery plans or living wills to secure continuation of business in financial distress. These plans must include options for measures to restore the financial viability of the institution and they must be updated yearly. The plans will have to be submitted to the FIN-FSA for scrutiny. In the context of the new legislation, the FIN-FSA became empowered to apply early intervention tools to banks and investment firms if the FIN-FSA has weighty reasons to believe that the institution will fail its licensing conditions, liabilities or obligations under the capital adequacy regulations within the next 12 months. The early intervention tools encompass, among others, rights of the FIN-FSA to require the management to implement measures included in the living will, to convene a general meeting of shareholders to take necessary decisions, to require removal of members of the management and to require changes to the legal and financial structure of the institution.

Pursuant to the Resolution Act, the FRA shall draw up and adopt a resolution plan for the institutions subject to its powers, including the Member Credit Institutions. The resolution plan is ready for execution in the event that the institution in question has to be placed into a resolution process. The Resolution Act vests the FRA with resolution powers and tools as provided in the BRRD. To be able to use the other resolution tools the FRA shall first place the institution in a resolution process. During the process, the institution could be subject to a number of resolution tools: mandatory write-down of debts or conversion of debts into equity (bail-in), sale of business, bridge institution and asset separation. To continue the operations of the institution, the FRA has the power to decide upon covering losses of the institution by reducing the value of the institution's share capital or cancelling its shares. This is a precondition for any support from a newly established resolution fund administered by the FRA.

There remains uncertainty regarding how the new Finnish resolution legislation would affect the Issuer, the Group and the Notes. Accordingly, it is not yet possible to assess the full impact of the new Finnish resolution legislation. The Notes may be part of the claims and debts in respect of which the FRA could use the bail-in powers to write-down or convert the principal of the Notes. There can be no assurances that the new Finnish resolution legislation could not adversely affect the price or value of an investment in Notes subject to the provisions of the new Finnish resolution legislation and/or the ability of the Issuer to satisfy its obligations under such Notes. Until the new regulations take full effect, the Issuer cannot predict the precise effects of the bail-in power and the write-down and conversion power and its use in relation to the Notes. Prospective investors in the Notes should consult their own advisors as to the consequences of the new Finnish resolution legislation.

EBA Consultation Paper on the minimum requirement for own funds and eligible liabilities under BRRD.

On 28 November 2014, the European Banking Authority (the "**EBA**") published a consultation paper setting out draft regulatory technical standards ("**RTS**") on the criteria for determining the minimum requirement for own funds and eligible liabilities ("**MREL**") under BRRD. In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD, BRRD requires that all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities, with effect from 1 January 2016 (or if earlier, the date of national implementation of BRRD). The draft RTS provides for resolution authorities to allow institutions a transitional period of up to four years to reach the applicable MREL requirements.

Unlike the FSB's proposals, the RTS do not set a minimum EU-wide level of MREL, and the MREL requirement applies to all credit institutions, not just to those identified as being of a particular size or of systemic importance. Each resolution authority is required to make a separate determination of the appropriate MREL requirement for each resolution group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution.

The MREL requirement for each institution will be comprised of a number of key elements, including the required loss absorbing capacity of the institution (which will, as a minimum, equate to the institution's capital requirements under CRD IV, including applicable buffers), and the level of re-capitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Other factors to be taken into consideration by resolution authorities when setting the MREL requirement include: the extent to which an institution has liabilities in issue which are excluded from contributing to loss absorption or recapitalisation; the risk profile of the institution; the systemic importance of the institution; and the contribution to any resolution that may be made by deposit guarantee schemes and resolution financing arrangements.

Items eligible for inclusion in MREL will include an institution's own funds (within the meaning of CRD IV), along with "Eligible Liabilities", meaning liabilities which *inter alia*, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives. The scope of liabilities which will qualify as "derivatives" for these purposes is not entirely clear from the draft RTS. The MREL requirement may also have to be met partially through the issuance of contractual bail-in instruments, being instruments that are effectively subordinated to other eligible liabilities in a bail-in or insolvency of the relevant institution.

The EBA's proposals are in draft form, and may therefore be subject to change. As a result, it is not possible to give any assurances as to the ultimate scope and nature of any resulting obligations, or the impact that they will have on the Issuer or the Group once implemented. If the EBA's proposals are implemented in their current form however, it is possible that the Issuer and/or other members of the Group may have to issue a significant amount of additional MREL eligible liabilities in order to meet the new requirements within the required timeframes. If the Issuer or the Group were to experience difficulties in raising MREL eligible liabilities, it may have to reduce its lending or investments in other operations.

There may not be an active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there may not be an active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Group. Although applications may be made for the Notes to be admitted to the Official List of the ISE and traded on the regulated market of the ISE, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

The Notes may be redeemed prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Finland or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Notes. The Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Notes, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

Changes in laws or administrative practices could entail risks

The conditions of the Notes are based on the laws of England in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or administrative practice after the date of this Base Prospectus. Furthermore, the

Issuer and the Group operate in a heavily regulated environment and have to comply with extensive regulations in the Republic of Finland, such as the Amalgamations Act in particular. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices of Finland after the date of this Base Prospectus.

Denominations of the Definitive Notes may be illiquid

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive Definitive Notes in respect of such holding (should Definitive Notes be printed) and may need to purchase a principal amount of Notes such that its holding amounts to the minimum Specified Denomination.

If Definitive Notes are issued, Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the larger the remaining term of such securities the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk and interest rate risk:

Established trading market for the Notes may not develop

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rates and exchange controls involve risks

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Fixed rate Notes are subject to interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Change in credit rating

Any material deterioration in the Issuer’s existing credit ratings may significantly reduce its access to the debt markets and result in increased interest rates on future debt. A downgrade in the Issuer’s credit ratings may result from factors specific to the Issuer or from other factors such as general economic weakness or sovereign credit rating ceilings. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Notes.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CBI in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

(ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership *provided, however*, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

(a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

(a) on the expiry of such period of notice as may be specified in the Final Terms; or

(b) at any time, if so specified in the Final Terms; or

(c) if the Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

    (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

    (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or

(c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

    (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

    (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the

Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date ((b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Registered Note**"), in each case as specified in the relevant Final Terms.

Each Global Registered Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common depositary and will be exchangeable in accordance with its terms; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Final Terms specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Note", then if either of the following events occurs:

    (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

    (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Note; or

(b) any of the Notes represented by a Global Registered Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note in accordance with the terms of the Global Registered Note on the due date for payment,

then the Global Registered Note (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the holder of the Global Registered Note will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Note became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. In the case of any Tranche of Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" above.

1. Introduction

(a) *Programme*: Central Bank of Savings Banks Finland plc (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR 2,000,000,000 in aggregate principal amount of notes (the "**Notes**").

(b) *Final Terms*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) *Agency Agreement*: The Notes are the subject of a fiscal agency agreement dated 8 April 2015 (the "**Agency Agreement**") between the Issuer, Deutsche Bank AG, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Deutsche Bank Luxembourg S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

(d) *Deed of Covenant:* The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes are constituted by a deed of covenant dated 8 April 2015 (the "**Deed of Covenant**") entered into by the Issuer.

(e) *The Notes*: All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the specified office of the Fiscal Agent.

(f) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Amalgamation**" means (a) the Union Co-op, (b) the companies belonging to the Union Co-op's consolidation group, (c) the Savings Banks and the Issuer, (d) companies belonging to the Savings Banks' and the Issuer's consolidation groups, as well as (e) such credit institutions, finance institutions and service companies where the institutions in (a) to (d) combined own more than half of the voting rights;

"**Amalgamation Act**" means the Act on the Amalgamation of Deposit Banks (*Laki talletuspankkien yhteenliittymästä* 599/2010, as amended;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**CIBOR**" means, in respect of Danish Kroner and for any specified period, the interest rate benchmark known as the Copenhagen interbank offered rate which is calculated and published by a designated distributor (currently NASDAQ Copenhagen) in accordance with the requirements from time to time of the Danish Bankers' Association based on estimated interbank borrowing rates for Danish Kroner for a number of designated maturities which are provided by a panel of contributor banks (details of historic CIBOR rates can be obtained from the designated distributor);

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30";

(f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Final Terms;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Eurozone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

"**Indebtedness**" means (without duplication) any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**LIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other Person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

"**Make Whole Redemption Price**" has the meaning given in the relevant Final Terms;

"**Margin**" has the meaning given in the relevant Final Terms;

"**Material Entity**" means at any time:

(a) the Union Co-op;

(b) any entity acting on behalf of the Amalgamation (as a whole); or

(c) any Savings Bank, any Subsidiary of a Savings Bank, any Subsidiary of the Issuer, or any Subsidiary of the Union Co-op, in each case the gross assets of which (or, where the interest in the share capital of such Subsidiary is less than 100 per cent., a proportion thereof equal to the proportion of the share capital owned, directly or indirectly, by the Issuer) represent more than 10 per cent. of the consolidated gross assets of the Group;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**NIBOR**" means, in respect of Norwegian Kroner and for any specified period, the interest rate benchmark known as the Norwegian interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Norwegian association for banks, insurance companies and financial institutions, Finance Norway – FNO based on estimated interbank borrowing rates for Norwegian Kroner for a number of designated maturities which are provided by a panel of contributor banks (details of historic NIBOR rates can be obtained from the designated distributor);

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer – Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer – Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Participating Member State**" means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

  (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

  (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

  (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Reference Rate**" means CIBOR, EURIBOR, LIBOR, NIBOR or STIBOR as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

"**Register**" has the meaning given in the Agency Agreement;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any

Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Savings Bank**" means any of the savings banks which are member credit institutions of the Amalgamation;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**STIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Stockholm interbank offered rate which is calculated and published by a designated distributor (currently the Swedish Bankers' Association) in accordance with the requirements from time to time of the Swedish Bankers' Association (or any other Person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic STIBOR rates can be obtained from the designated distributor);

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty of the Functioning of the European Union, as amended;

"**Union Co-op**" means the Savings Banks' Union Co-op, the central institution of the Amalgamation; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

(a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

(d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity by the Holder or the transferee thereof as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status

(a) *Status of the Notes*: The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Negative Pledge

So long as any Note remains outstanding, the Issuer shall not, and shall procure that none of its respective Subsidiaries, nor any entity acting on behalf of the Amalgamation as a whole, will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders. For the avoidance of doubt nothing in this Condition 5 (*Negative Pledge*) shall limit the ability of any individual Savings Bank to give security on its own behalf nor does it apply to any Security Interest used to secure obligations to a federal reserve or central bank.

"**Permitted Security Interest**" means, mortgages, charges, liens, pledges or other security interest securing covered bonds issued for funding purposes in accordance with the Finnish Act on Mortgage Banking (688/2010, as amended) (in Finnish *laki kiinnitysluottopankkitoiminnasta*) in its ordinary course of business.

6. Fixed Rate Note Provisions

(a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments – Bearer Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note Provisions

(a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments – Bearer Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7(b) (*Accrual of interest*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period; **provided, however, that** if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

(iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iv) if, in the case of paragraph (i) above, such rate does not appear on that page or, in the case of paragraph (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms;

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and

(iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. **Zero Coupon Note Provisions**

(a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Redemption and Purchase**

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments – Bearer Notes*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Finland or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant final terms) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

(c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant final terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the relevant Final Terms as being applicable. The Optional Redemption Amount (Call) will be either, as specified in the relevant Final Terms, (i) if Make Whole Redemption Price is specified as being applicable in the applicable Final Terms, the relevant Make Whole Redemption Price or (ii) the specified percentage (being no less than 100 per cent.) of the nominal amount of the Notes as stated in the applicable Final Terms.

The Make Whole Redemption Price will be an amount equal to the higher of:

(i) if Spens Amount is specified as being applicable in the applicable Final Terms, (i) 100 per cent. of the nominal amount outstanding of the Notes to be redeemed or (ii) the nominal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the relevant Dealer(s) by the Determination Agent, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time on the Reference Date of the Reference Bond, plus the Redemption Margin; or

(ii) if Make Whole Redemption Amount is specified as applicable in the applicable Final Terms, (i) 100 per cent. of the nominal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the nominal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin,

all as determined by the Determination Agent.

In this Condition: 9(c):

"**DA Selected Bond**" means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term of the Notes, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term of the Notes;

"**Determination Agent**" means an investment bank or financial institution of international standing selected by the Issuer after consultation with the relevant Dealer(s) as may be specified in the relevant Final Terms;

"**Gross Redemption Yield**" means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts"; "Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the relevant Dealer(s) may approve;

"**Quotation Time**" shall be as set out in the applicable Final Terms;

"**Redemption Margin**" shall be as set out in the applicable Final Terms;

"**Reference Bond**" shall be as set out in the applicable Final Terms or the DA Selected Bond;

"**Reference Bond Price**" means, with respect to any date of redemption, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

"**Reference Bond Rate**" means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

"**Reference Date**" will be set out in the relevant notice of redemption;

"**Reference Government Bond Dealer**" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

"**Reference Government Bond Dealer Quotations**" means, with respect to each Reference Government Bond Dealer and any date of redemption, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer; and

"**Remaining Term Interest**" means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 9(c).

(d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant final terms), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(f) *Amalgamation Act Put Option*: If at any time while any Note remains outstanding, either of the following events shall occur (each, as applicable, an "**AA Put Event**"):

(i) An AA Event occurs and, if at the start of the AA Period, the Issuer is rated by any Rating Agency, a Rating Downgrade in respect of that AA Event occurs within such AA Period; or

(ii) An AA Event occurs and, on the occurrence of the AA Event, the Issuer is not rated by any Rating Agency,

then the Holder of each Note will have the option (the "**AA Put Option**") (unless, prior to the giving of the AA Put Event Notice (as defined below), the Issuer gives notice of its intention to redeem the Notes under Condition 9(b) (*Redemption for tax reasons*) or Condition 9(c) (*Redemption at the option of the Issuer*)) to require the Issuer to redeem or, at the Issuer's option, to purchase or procure the purchase of that Note on the Optional Redemption Date (AA Put) (as defined below), at the principal amount of the Notes then outstanding, together with (or, where purchased, together with an amount equal to) accrued interest up to but excluding the Optional Redemption Date (AA Put).

Promptly upon the Issuer becoming aware that an AA Put Event has occurred, the Issuer shall give notice (an "**AA Put Event Notice**") to the Noteholders in accordance with Condition 19 (*Notices*) specifying the nature of the AA Put Event and the circumstances giving rise to it and the procedure for exercising the AA Put Option contained in this Condition.

To exercise the AA Put Option, the Noteholder must deposit any applicable Note, together with each unmatured Coupon relating thereto (if any), to the account of any Paying Agent for the account of the Issuer within the period (the "**Put Period**") of 45 days after the day on which the AA Put Event Notice is given, together with a duly signed and completed Put Option Notice in the form (for the time being current and substantially in the form set out in the Agency Agreement) obtainable from the specified office of any Paying Agent. The Paying Agent to whom a Note has been so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder.

Subject to the deposit of any such Notes to the account of a Paying Agent for the account of the Issuer as described above, the Issuer shall redeem, purchase or procure the purchase of the Notes in respect of which the AA Put Option has been validly exercised as provided above on the date (the "**Optional Redemption Date (AA Put)**") being the fifteenth day after the date of expiry of the Put Period. No Note, once so deposited with a duly completed Put Option Notice, may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (AA Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on or prior to the end of the Put Period, payment of the redemption moneys is improperly withheld or refused on the relevant Optional Redemption Date (AA Put), the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition, the depositor of such Note and not such Paying Agent shall be deemed to be the holder of the Note for all purposes.

For the purposes of this Condition 9(f):

"**AA Event**" shall be deemed to have occurred if the Amalgamation Act ceases to apply as a result of cancellation of the central institution's licence granted to the Union Co-op or if the Issuer or any Material Entity withdraws or is expelled from the Amalgamation (as provided in Section 8 of the Amalgamation Act);

"**AA Period**" means the period (i) commencing on the date that is the earlier of (A) the date of the first public announcement of the relevant AA Event and (B) the date of the earliest Potential AA Event Announcement (as defined below), if any, and (ii) ending on the date which is the 120th day after the date of the first public announcement of the relevant AA Event (such 120th day, the "**Initial Longstop Date**"); **provided that**, unless any other Rating Agency has on or prior to the Initial Longstop Date effected a Rating Downgrade in respect of its rating of the Issuer, if a Rating Agency publicly announces, at any time during the period commencing on the date which is 60 days prior to the Initial Longstop Date and ending on the Initial Longstop Date, that it has placed its rating of the Issuer under consideration for rating review either entirely or partially as a result of the relevant public announcement of the AA Event or Potential AA Event Announcement, the AA Period shall be extended to the date which falls 90 days after the date of such public announcement by such Rating Agency;

"**Rating Agency**" means Standard & Poor's Credit Market Services Europe Limited or any other rating agency of equivalent international standing specified from time to time by the Issuer, and, in each case, their respective successors or affiliates;

a "**Rating Downgrade**" shall be deemed to have occurred in respect of an AA Event if, within the AA Period, the rating previously assigned to the Issuer by any Rating Agency is (i) withdrawn or (ii) changed from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or (iii) if such rating previously assigned to the Issuer by any Rating Agency was below an investment grade rating (as described above), lowered by at least one full rating notch (for example, from BB+ to BB or their respective equivalents); and

"**Potential AA Event Announcement**" means any public announcement or statement by the Issuer, any actual or potential bidder or any designated advisor thereto relating to any specific and near-term potential AA Event (where "near-term" shall mean that such potential AA Event is reasonably likely to occur, or is publicly stated by the Issuer, any such actual or potential bidder or any such designated advisor to be intended to occur, within 120 days of the date of such announcement or statement).

AA Put Option Sweep-Up: If, pursuant to the terms of an AA Put Option, Noteholders representing 80 per cent. or more of the nominal amount of a single Series have exercised the AA Put Option, then, for a period up to 7 days from the date of expiry of the Put Period, the Issuer may give notice (the "**Sweep-Up Notice**") to the relevant Noteholders that a Call Option shall be exercised in respect of the remaining outstanding amount of such Series of Notes. Thereupon, the relevant Notes shall be redeemed (in whole but not in part) on the Optional Redemption Date (AA Put). Payment will be effected in accordance with Condition 10 in respect of Bearer Notes or Condition 11 in respect of Registered Notes.

(g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.

(h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

(j) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

10. Payments – Bearer Notes

This Condition 10 is only applicable to Bearer Notes.

(a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(b) *Interest:* Payments of interest shall, subject to paragraph (h) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.

(c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principa*l) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(e) (*Redemption at the option of Noteholders*), Condition 9(c) (*Redemption at the option of the Issuer*), Condition 9(f) (*Amalgamation Act Put Option*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) (*Payments in New York City*) above).

(i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. Payments – Registered Notes

This Condition 11 is only applicable to Registered Notes.

(a) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 arriving after the due date for payment or being lost in the mail.

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

12. Taxation

(a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Finland or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive; or

(iii) held by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or

(iv) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

(b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Finland, references in these Conditions to the Republic of Finland shall be construed as references to the Republic of Finland and/or such other jurisdiction.

13. Events of Default

13.1 Events of Default

If any of the following events occur:

(a) *Non-payment:* the Issuer fails to pay any amount of principal or other redemption amount due in respect of the Notes for more than ten business days or fails to pay any amount of interest in respect of the Notes for more than ten business days; or

(b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(c) *Cross-default*:

(i) any Indebtedness of the Issuer or any Material Entity, is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or the relevant Material Entity or (**provided that** no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or

(iii) the Issuer or any Material Entity fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that any such Indebtedness or other relative liability, either alone or when aggregated with other Indebtedness and/or other liabilities relative to all (if any) other events specified in (i) to (iii) above which have occurred and are continuing, amount to at least €15,000,000; or

(d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal is permissible under applicable law and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any Material Entity; or

(f) *Winding up etc:* subject to Condition 13.2 below, if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any Material Entity, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution or the voluntary winding up of a solvent Subsidiary; or

(g) *Cease business:* subject to Condition 13.2 below, if the Issuer or any Material Entity ceases or threatens to cease to carry on the whole or any substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer or any Material Entity stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(h) *Insolvency – initiated against the Issuer or any Material Entity:* (A) proceedings are initiated against the Issuer or any Material Entity under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Material Entity or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 60 days; or

(i) *Insolvency – initiated by the Issuer or any Material Entity:* if the Issuer or any Material Entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors (other than the Noteholders in their capacity as such)) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors (other than the Noteholders in their capacity as such)),

(j) *Analogous event:* any event occurs which under the laws of the Republic of Finland has an analogous effect to any of the events referred to in paragraphs (d) to (i) above; or

(k) *Failure to take action etc:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Republic of Finland is not taken, fulfilled or done; or

(l) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes; or

(m) *Loss of licence:* any necessary consent, approval, licence, order or other authority required at any time by the Issuer or any Material Entity to carry on its business, including *inter alia,* a banking licence, or the central institution licence granted to the Union Co-op under the Amalgamation Act, is cancelled, suspended or revoked for any reason by the Finnish Financial Supervisory Authority or such other relevant regulatory authority; or

(n) *Government intervention:* (A) all or any substantial part of the undertaking, assets and revenues of the Issuer or any Material Entity is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (B) the Issuer or any Material Entity is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues,

then any Note may, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality unless prior to the time when the Issuer receives such notice the situation giving rise to the notice has been cured, **provided, however, that** in the event specified in paragraph (c) (*Cross-default*) above any notice declaring the Notes due shall become effective only when the Issuer has received such notices from the Holders of at least one-fifth in principal amount of the relevant Notes then outstanding.

13.2 Consolidation, Merger and Sale of Assets

The Issuer may, without the consent of Noteholders, consolidate with, or merge into, or sell, transfer, lease or convey its assets substantially as an entirety to any other entity, **provided that** (i) such successor entity expressly assumes the obligations of the Issuer under the Notes and any Coupons (as applicable) including any additional amounts payable in relation thereto under these Conditions (and a legal opinion from Finnish lawyers is provided in respect thereof), and (ii) after giving effect to the transaction, no Event of Default shall have occurred and be continuing, and **provided that** two directors of the Issuer certify to such effect. Each Noteholder will be deemed to have agreed, with respect to the Notes it holds, that it shall not exercise, and hereby waives in advance, its right in accordance with the Finnish Companies Act (Fin: *Osakeyhtiölaki* 624/2006, as amended) to object to any merger **provided that** such merger (a) does not breach any term of these Conditions or (b) has been consented to by an Extraordinary Resolution.

14. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

15. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

16. Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent and additional or successor paying agents; **provided, however, that**:

(a) the Issuer shall at all times maintain a fiscal agent and a registrar; and

(b) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC; and

(c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

(d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an

Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

18. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

19. **Notices**

(a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

20. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal, or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency, and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (ii) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (iii) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (iv) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. Governing Law and Jurisdiction

(a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Notwithstanding Condition 22(b) (*English courts*), any Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Service of process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London, EC2V 7EX, or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FORM OF FINAL TERMS

Final Terms dated [•]

CENTRAL BANK OF SAVINGS BANKS FINLAND PLC
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 8 April 2015 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]][1]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing during normal business hours at the offices of Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB and on Central Bank of Savings Banks Finland Plc's website (www.spkeskuspankki.fi) and www.ise.ie/ and copies may be obtained from the registered office of Central Bank of Savings Banks Finland Plc at Hevosenkenkä 3, 02600 Espoo, Finland.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and include any relevant implementing measure in the relevant Member State.

1.	Issuer:		Central Bank of Savings Banks Finland Plc
2.	[(i)	Series Number:	[•]]
	[(ii)	Tranche Number:	[•]]
	[(iii)	Date on which the Notes become fungible:	[Not Applicable]/ [•]]
3.	Specified Currency or Currencies:		[•]
4.	Aggregate Nominal Amount:		[•]
	[(i)]	Series:	[•]
	[(ii)	Tranche:	[•]]
5.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]
6.	(i)	Specified Denominations:	[•] [and integral multiples of EUR 1,000 in excess thereof up to and including [•]. No Definitive Notes will be issued with a denomination above [•].]
	(ii)	Calculation Amount:	[•]

[1] *Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.*

7.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[[•]/Issue Date/Not Applicable]
8.	Maturity Date:		[•]
9.	Interest Basis:		[[•] per cent. Fixed Rate] [CIBOR]/[EURIBOR]/[LIBOR]/[NIBOR]/[STIBOR]] +/– [•] per cent. Floating Rate] [Zero Coupon] (see paragraph [14/15/16] below)
10.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [•]/[100] per cent. of their nominal amount.
11.	Change of Interest or Redemption/Payment Basis:		[[•]/Not Applicable]
12.	Put/Call Options:		[Investor Put] [Issuer Call] [Not Applicable] [See paragraph [17/18/19] below)]
13.	[(i)]	Status of the Notes:	[Senior]
	[(ii)]	[Date [Board] approval for issuance of Notes obtained:]	[•]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[•] per cent. per annum payable in arrear on each Interest Payment Date
	(ii)	First Interest Payment Date:	[•]
	(iii)	Interest Payment Date(s):	[•] in each year
	(iv)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(v)	Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
	(vi)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA)]
15.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Specified Period:	[•]
	(ii)	Specified Interest Payment Dates:	[•]

	(iii)	First Interest Payment Date:	[•]
	(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
	(v)	Additional Business Centre(s):	[[•]/Not Applicable]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[[•]/Not Applicable]
	(viii)	Screen Rate Determination:	
		• Reference Rate:	[CIBOR]/[EURIBOR]/[LIBOR]/[NIBOR]/[STIBOR]
		• Interest Determination Date(s):	[•]
		• Relevant Screen Page:	[•]
		• Relevant Time:	[•]
		• Relevant Financial Centre:	[•]
	(ix)	ISDA Determination:	
		• Floating Rate Option:	[•]
		• Designated Maturity:	[•]
		• Reset Date:	[•]
		[• ISDA Definitions:	[2006]
	(x)	Linear interpolation	[Applicable/Not Applicable]
		• Rate of Interest:	the rate of interest for the [long]/[short] [first]/[last] Interest Period shall be calculated using Linear Interpolation
	(xi)	Margin(s):	[+/-][•] per cent. per annum
	(xii)	Minimum Rate of Interest:	[•] per cent. per annum
	(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
	(xiv)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA)]
16.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Accrual Yield:	[•] per cent. per annum

	(ii)	Reference Price:	[•]
	(iii)	Day Count Fraction in relation to Early Redemption Amount:	[30/360 / Actual/Actual (ICMA/ISDA)]

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**			[Applicable/Not Applicable]
				(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):		[•]
	(ii)	Optional Redemption Amount(s):		[•] per Calculation Amount/[•]
		[(a)	Reference Bond:	[*Insert applicable Reference Bond*]
		[(b)	Quotation Time:	[•]
		[(c)	Redemption Margin:	[•] per cent.
		[(d)	Determination Date:	[•]
		[(e)	Reference Dealers:	[•]
	(iii)	If redeemable in part:		
		(a)	Minimum Redemption Amount:	[•] per Calculation Amount
		(b)	Maximum Redemption Amount	[•] per Calculation Amount
	(iv)	Notice period:		[•]
18.	**Put Option**			[Applicable/Not Applicable]
				(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):		[•]
	(ii)	Optional Redemption Amount(s):		[•] per Calculation Amount/[•]
	(iii)	Notice period:		[•]
19.	**Final Redemption Amount of each Note**			[•] per Calculation Amount/[•]
20.	**Early Redemption Amount**			
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:			[Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	**Form of Notes**:	Bearer Notes:
		[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the

Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

(N.B. The exchange upon notice/at any time/in the limited circumstances specified in the Permanent Global Note options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.)

22.	**New Global Note**:	[Yes]/[No]/[Not Applicable]
23.	**Additional Financial Centre(s) or other special provisions relating to payment dates**:	[[•]/Not Applicable]
24.	**Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature)**:	[Yes]/[No]

Signed on behalf of [*name of the Issuer*]:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Admission to Trading:	[Application is has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Irish Stock Exchange with effect from [•]]/[Not Applicable]
(ii)	Estimate of total expenses related to admission to trading:	[•]

2. **RATINGS**

[The Notes to be issued will not be separately rated]

[The Notes to be issued are expected to be rated:

Standard & Poor's Credit Market Services Europe Limited: [•]]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer and its affiliates in the ordinary course of business [•]/[Not Applicable]]

4. **[*Fixed Rate Notes only* – YIELD**

Indication of yield:	[•]

5. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[Not Applicable/*Names of additional Paying Agent(s)*]
[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting

	them the Notes may then be deposited with one of the ICSDs as common safekeeper [[and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*]]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

6. **DISTRIBUTION**

(i)	Method of Distribution:		[Syndicated/Non-syndicated]
(ii)	If syndicated:		
	(A)	Names of Dealers	[Not Applicable/[•]]
	(B)	Stabilisation Manager(s), if any:	[Not Applicable/[•]]
(iii)	If non-syndicated, name of Dealer:		[Not Applicable/[•]]
(iv)	U.S. Selling Restrictions:		[Reg S Compliance Category [1/2];
			TEFRA C/TEFRA D]

7. [**THIRD PARTY INFORMATION]**

[[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced inaccurate or misleading.]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by a Global Registered Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name such Global Registered Note is for the time being registered in the Register which, for so long as the Global Registered Note is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Registered Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Registered Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Registered Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Instrument is to be exchanged for an interest in a Permanent Global Instrument, the Issuer shall procure:

(a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Instrument, duly authenticated and, in the case of an NGI, effectuated, to the bearer of the Temporary Global Instrument; or

(b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Instrument in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Instrument to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Instrument is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Instrument to the bearer of the Temporary Global Instrument against the surrender of the Temporary Global Instrument to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) a Permanent Global Instrument has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global

Instrument has requested exchange of an interest in the Temporary Global Instrument for an interest in a Permanent Global Instrument; or

(b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Instrument has requested exchange of the Temporary Global Instrument for Definitive Notes; or

(c) a Temporary Global Instrument (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Instrument has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Instrument in accordance with the terms of the Temporary Global Instrument on the due date for payment,

then the Temporary Global Instrument (including the obligation to deliver a Permanent Global Instrument or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Instrument will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Instrument or others may have under a deed of covenant dated 8 April 2015 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Instrument will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Instrument became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Instrument is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Instrument to the bearer of the Permanent Global Instrument against the surrender of the Permanent Global Instrument to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Instrument has duly requested exchange of the Permanent Global Instrument for Definitive Notes; or

(b) a Permanent Global Instrument (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Instrument in accordance with the terms of the Permanent Global Instrument on the due date for payment,

then the Permanent Global Instrument (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Instrument will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Instrument or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Instrument will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Instrument became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Notes

Each Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: In the case of a Global Note, or a Global Registered Note, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 9(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

USE OF PROCEEDS

The proceeds of the issue of each Series of Notes will be used by the Issuer for general corporate purposes including to act as a central credit institution of the Amalgamation for funding of the Member Credit Institutions.

DESCRIPTION OF THE ISSUER

History and Development of the Issuer

Central Bank of Savings Banks Finland Plc is organised under the laws of the Republic of Finland and regulated by the FIN-FSA. The Issuer's financial year is one calendar year. The Issuer was incorporated on 10 November 2008, is domiciled in Espoo, Finland, and registered in the Finnish Trade Register under business identity code 2238752-5. The Issuer's registered address is Hevosenkenkä 3 02600 Espoo, Finland and telephone number +358 20 703 2450. The Issuer has no subsidiaries.

The corporate form of the Issuer was changed from a limited liability company to a public limited company on 30 January 2015.

According to Article 2 of its Articles of Association, the Issuer engages in the business operations set forth in the Credit Institutions Act. In addition, the Issuer provides investment services as defined in Chapter 1 Paragraph 11 of the Finnish Act on Investment Services (14.12.2012/747, as amended) (in Finnish *sijoituspalvelulaki*). The Issuer may control and own real property, shares, stakes and securities in order to carry on its business.

The FIN-FSA supervises the Issuer's activities in accordance with Finnish law. As regards the supervision of the Issuer, the SSM (as defined in the Risk Factors) commenced its operations in November 2014. The SSM is a system of financial supervision comprising the ECB and the national competent authorities of participating EU countries. Pursuant to the Credit Institution Act and Council Regulation (EU) No 1024/2013, the Issuer is currently classified as a less significant credit institution and, therefore, the supervision of the Issuer under the SSM is primarily carried out by the FIN-FSA. However, under the SSM, the ECB can decide to supervise any one of the less significant credit institutions directly to ensure that high supervisory standards are applied consistently.

The history of the Issuer originates from the Savings Banks acquisition of Itella Bank in April 2013 from Itella Oyj (at present: Posti Group Oyj). The acquisition was carried out because Aktia Bank Plc, a former Savings Banks partner, announced in January 2013 the termination of the Savings Bank central credit institution facility at the beginning of 2015. Itella Bank, a depository bank, was incorporated in 2008, and was organised under the laws of the Republic of Finland. Itella Bank was granted a credit institution licence on 31 August 2011 by the FIN-FSA.

The official name of Itella Bank was changed in June 2013 into Central Bank of Savings Banks Finland Ltd (in Finnish: *Säästöpankkien Keskuspankki Suomi Oy* and in Swedish: *Sparbankernas Centralbank Finland AB*).

On 14 March 2014, the General Meeting of the Issuer authorised the Board of Directors to issue a maximum of 35,000 new shares of which the Board of Directors has issued 12,391 shares at the date of this Base Prospectus. The issued shares were directed to the Savings Banks by a directed share issue. Any future share issues would be directed to the Savings Banks if additional equity capital should be needed.

The central credit institution operations were transferred from Aktia Bank Abp to the Issuer on 3 November 2014, and the Issuer began its payment transaction operations. The joint liability of the Amalgamation became effective on 31 December 2014 and, consequently, the Issuer commenced its external fund-raising at the start of 2015.

The Issuer was assigned a credit rating of A- by S&P on 7 April 2015.

Business Overview

The Savings Banks belonging to the Amalgamation own 94.7 per cent. of the Issuer's shares, while the remaining shares are held by Oma Säästöpankki Oy (5.3 per cent.) and Säästöpankkien Holding Oy (0.2 per cent.), which is a part of the Group. As the central bank for the Savings Banks, the Issuer supports the Savings Banks' liquidity management and participates in European payment transmissions on a daily basis. The Issuer provides the Savings Banks with refinancing solutions in accordance with their needs and represents the Savings Banks in their transaction services through the Single Euro Payments Area ("**SEPA**") payment system. The Issuer will conduct senior unsecured wholesale funding for the Group. The Issuer has approximately 20 employees.

The Issuer may issue financial instruments other than the Notes in the future, such as Euro Commercial Paper ("**ECP**") or other short term (1 to 5 years maturity), intermediate term (5 to 12 years maturity) or long term (12 to 30 years maturity) notes. A separate mortgage bank entity, SP-Mortgage Bank Plc, will be established during 2015 for possible future covered bond activities. The Savings Banks have covered the establishment expenses of the Issuer's central bank operations. As of November 2014, the Issuer's cash flow has mainly consisted of payment transactions for which the Issuer charges fees from the Savings Banks. In addition, it is intended that the Issuer will receive income from issuing Visa cards to the Savings Banks' customers once the issuance starts during the second half of 2015. Through refinancing activities, the Issuer receives maturity matched margin income and income from managing the funding positions (maturity transformation income). As at the date of this Base Prospectus, the Issuer has no external debt.

The Issuer as part of the Amalgamation

The Issuer is part of the Amalgamation together with the Savings Banks, the Union Co-op, Sp Back Office Oy, SP Taustataiturit Oy, Sp-Fund Management Company Ltd. In addition, the Amalgamation currently plans to expand via the establishment of SP-Mortgage Bank Ltd, which is scheduled to be completed during 2015. The Amalgamation's operations are covered by the Amalgamations Act and the Union Co-op's bylaws. Primarily, the members of the Amalgamation carry out their business independently within the scope of their resources, and thus the Issuer and the other members of the Amalgamation are primarily responsible for their own obligations. However, the Amalgamations Act prescribes that the Union Co-op must pay to each Member Credit Institution an amount that is necessary in order to prevent such Member Credit Institution's liquidation and the Union Co-op is responsible for the payments of any debts of a Member Credit Institution that cannot be paid using such Member Credit Institution's own funds. At the same time, a Member Credit Institution must pay to the Union Co-op a proportionate share of the amount which the Union Co-op has paid either to another Member Credit Institution as part of the support action described above, or to a creditor of such Member Credit Institution as payment of a due debt for which the creditor has not received payment from its debtor. The amount paid in accordance with the joint liability is divided between the liable parties in proportion to their last confirmed balance sheets. For more information on the joint liability, see "*The Amalgamations Act – Joint liability of the Amalgamation*".

Those entities within the Amalgamation that are not Member Credit Institutions will not be liable for member credit institutions' debts under the Amalgamation Act. Due to the joint liability within the Amalgamation and the Issuer's role as the central bank for the Savings Banks, prospective investors should examine both the Issuer's and the Group's financial statements. However, investors should note that the Group consists of the Amalgamation, as well as other companies and institutions owned by the Savings Banks. The activities of the Group or companies belonging to the Group that are not part of the Amalgamation and the joint liability, may have a negative impact on the Amalgamation. For more information on the Group's consolidated financial statements, see "*Information on the Savings Banks Group and the Amalgamation—The Savings Banks Group's Financial Statements and Key Indicators*", and for more information on the Issuer's financial statements, see "*Description of the Issuer—Selected Financial Information*".

Management of the Issuer

According to the Finnish Companies Act (21.7.2006/624, as amended) (in Finnish, *osakeyhtiölaki*), the Issuer's highest decision-making authority rests with the Issuer's shareholders i.e. the Savings Banks at the annual general meeting (the "**General Meeting**"). The operational decision-making authority is exercised by the board of directors (the "**Board of Directors**") which is elected by the shareholders at the General Meeting. The Issuer has a CEO whose duty is to see to the Issuer's day-to-day administration. In addition, the Union Co-op has an integral role under the Amalgamations Act. According to the Amalgamations Act and the Union Co-op's bylaws the Union Co-op has a steering role in the Group and also monitors the Issuer. For more information on the Union Co-op's steering, see "*Information on the Group and the Amalgamation—Savings Banks' Union Co-op*".

Board of Directors of the Issuer

According to the Finnish Companies Act the Board of Directors is responsible for the Issuer's administration, ensuring the appropriate arrangement of its operations and the supervision of the Issuer's accounting and financial management. The Board of Directors has general competence to decide on all matters related to the Issuer's management and other issues which, according to legislation and the Issuer's Articles of Association, are not the domain of the General Meeting or of the Chief Executive Officer ("**CEO**"). The Board of Directors decides on the Issuer's strategy and main business objectives and also confirms the management structure.

The Board of Directors is composed of a Chairman and a Deputy Chairman as well as a minimum of one and a maximum of five further members elected at the General Meeting.

At the date of this Base Prospectus, the Board of Directors consists of the following individuals as elected by the General Meeting on 19 March 2015:

Pasi Kämäri (born 1959) has been the chairman of the Issuer's board since 2013. Mr Kämäri has been the CEO of the Union Co-op (formerly the Savings Banks Association) since 2008. Previously, Mr Kämäri held various positions in OP-Pohjola Group (formerly Osuuspankkikeskus), including strategy manager in 2007–2008, corporate planning director in 2000–2007, group controller in 1998–2000, business developer and senior consultant in 1994–1998. In addition, Mr Kämäri was the controller for retail banking of OKO Bank in 1993–1996, CFO, member of the management group of OP-Kotipankki Oy in 1992–1994 and a management consultant of Osuuspankkikeskus in 1985–1992. Relevant positions of trust include chairman and board member of Samlink Group since 2012, board member of Sp-julkaisut Oy since 2011, CEO of Sp-Holding Oy since 2006, chairman and board member of Sp-Henkivakuutus Oy since 2013 and board member of Sp-Koti Oy since 2012. In addition, Mr Kämäri has been a board member of Federation of Finnish Financial Services since 2008, a board member of Luottokunta Cooperative since 2012, a supervisory board member of the Cooperative Finnish Housing Fair since 2008, a board member of Nooa Savings Bank since 2013 and a board member of Aktia Real Estate Mortgage Bank since 2011. Mr Kämäri holds an M.Sc. (Econ.) and an MBA.

Peter Finne (born 1959) has been a member of the Issuer's board since March 2015. Mr Finne has been the CEO of Koivulahti Savings Bank since 2012. Previously, Mr Finne has been office manager of Koivulahti Savings Bank in 1999–2012. Relevant positions of trust include board member of the Sb Life Insurance Ltd in 2013-2015. Mr Finne holds a Vocational Qualification in Business and Administration and a Specialist Qualification in Management.

Markku Moilanen (born 1955) has been a member of the Issuer's board since March 2015. Mr Moilanen has been the CEO of Lammi Savings Bank since 2004. Previously, Mr Moilanen has been office manager of Mandatum Yksityispankki (Sampo Pankki Oyj) (formerly Mandatum Pankki Oyj and Interbank Osakepankki) in 1997–2004. In addition, Mr Moilanen has been bank manager, office manager and marketing manager of Lahden Seutu Osuuspankki in 1984–1997 as well as office manager of Suur-Helsinki Osuuspankki in 1979–1983. Relevant positions of trust include or have been chairperson of the board of Sp-Fund Management Company Ltd, vice-chairperson of Sb Life Insurance Ltd, board member of Keskinäinen Vakuutus Oy Pohjantähti, board member of Häme Foundation for Professional Vocational Education and Research, board member of Enterprise Agency of Häme. Mr Moilanen holds a M.Sc. (Econ.) and a Vocational Qualification in Business and Administration (matriculation examination).

Jarmo Rinta (born 1958) has been a member of the Issuer's board since March 2013. Mr Rinta has been the CEO of Ylihärmä Savings Bank since 2014. Previously, Mr Rinta has been bank manager of Ylihärmä Savings Bank in 2002–2014 as well as CFO, officer manager and financial consultant of Kyrönmaa Osuuspankki. Relevant positions of trust include or have been chairperson of the board of Kiinteistö Oy Isonkyrön Liiketalo 1, chairperson of the board of Asunto Oy Vähänkyrön Kirstanpuisto, member of the board of Kiinteistö Oy Orresokka, operations inspector of Isonkyrön Yrittäjät ry, operations inspector of Yhyres Kehittämisyhdistys ry, operations inspector of E-P:n Säästöpankkilaiset ry as well as Notary Public. Mr Rinta holds a Vocational Qualification in Business and Administration (matriculation examination) and a Specialist Qualification in Management.

Juhani Huupponen (born 1956) has been a member of the Issuer's board since 2013. Mr Huupponen has been the CEO of Somero Savings Bank since 2004, the CEO of Parkano Savings Bank in 2003–2004, the CEO of Hauho Savings Bank in 1992–2003, bank manager of Kanta-Häme Regional Savings Bank (Janakkala region) in 1987–1992, the CEO of KAKS-Invest Oy and bank manager of Southwestern Kymi Regional Savings Bank (Miehikkälä region) in 1984–1987. Relevant positions of trust include or have been board member of the Union Co-op (formerly the Savings Banks Association), chairperson of the board of the Savings Banks Guarantee Fund, member of the supervisory board of SSP Yhtiöt Oy since

2012 and chairperson of the board of SP Taustataiturit Oy since 2012. Mr Huupponen holds a Master of Laws and an MBA.

Risto Seppälä (born 1958) has been a member of the Issuer's board since March 2015. Mr Seppälä has been the CEO of Helmi Savings Bank since 2008, bank manager and a member of the management group of Päijät-Häme Osuuspankki in 1999–2008, Company Analyst-District Chief of Valtiontakuukeskus in 1996–1998, CFO of Omaisuudenhoito Arsenal Oy in 1994–1996, Head of Department of Etelä-Savo Savings Bank – SSP Oy in 1990–1994, CFO of SKOP in 1986–1990 and Bank Manager of Kanta-Uusimaa Savings Bank in 1983–1986. Relevant positions of trust include or have been chairperson of the Appeal Board of Oy Samlink Absince. Mr Seppälä holds a M.Sc. (Econ.) and a Vocational Qualification in Business and Administration (matriculation examination).

Jukka Suominen (born 1961) has been a member of the Issuer's board since March 2015. Mr Suominen has been the CEO of Länsi-Uusimaa Savings Bank (formerly Lohja Savings Bank) since 2008. In addition, Mr Suominen has held various positions in Länsi-Uusimaa Savings Bank (formerly Lohja Savings Bank) including the deputy CEO of Länsi-Uusimaa Savings Bank in 2002–2008, bank manager and a member of the management group in 1993–2008 as well as bank lawyer in 1986-1993. Relevant positions of trust include deputy chairperson of Nooa Savings Bank since 2009 and chairperson of the board of Sp-Koti Oy since 2010. Mr Suominen holds a Master of Laws (trained on the bench).

Hannu Syvänen (born 1965) has been a member of the Issuer's board since March 2015. Mr Syvänen has been the CEO of Sinetti Savings Bank since 2013. Previously, Mr Syvänen has been the CEO of Längelmäki Savings Bank in 1999–2013 and office manager and the deputy CEO of Kuhmoisten Osuuspankki in 1994–1999. Relevant positions of trust include a deputy member of the board of The Saving Banks Association cooperative in 2009–2014 and a member of the board of the Savings Bank's Guarantee Fund in 2006–2015. Mr Syvänen holds a MBA.

The business address of each member of the Board of Directors and the Issuer is Hevosenkenkä 3, 02600 Espoo, Finland.

All the members of the Board of Directors are CEOs of individual Savings Banks, excluding Mr Kämäri, who is the CEO of the Union Co-op.

Conflicts of Interests

Except for the joint liability under the Amalgamations Act, there are no conflicts of interest between the duties of the members of the Issuer's administrative and management bodies to the Issuer and their other duties and private interests.

CEO and Deputy CEO of the Issuer

The Issuer has a CEO and Deputy CEO each of whom are appointed by the Board of Directors. The duty of the CEO is to see to the Issuer's day-to-day administration in accordance with the rules and regulations set by the Board of Directors. Currently, the CEO of the Issuer is Mr Hannu Lanteri and the Deputy CEO is Mr Kai Brander.

Hannu Lanteri (born 1955) has been the CEO of the Issuer since 2009. Mr Lanteri was the development director of the Savings Banks Association from 1996 to 2009, development director of Oy Samlink Ab from 1993 to 1996, development manager of SSP Oy from 1991 to 1993, development and training manager of SKOP from 1989 to 1991 and bank manager of Northern Savo Savings Bank from 1985 to 1989. Mr Lanteri's relevant positions of trust include chairman of the board on Sp-Life Insurance in 2005-2009, board member of Aktia Mortgage Bank in 2005-2009, board member of Oy Samlink Ab, member of the banking committee of Federation of Finnish Financial Services in 1997-2009, board member of Eufiserv Payments in 2005-2009, board member of ACH-Finland Oy and member of the Finance Pool of the Finnish National Board of Economic Defence in 2004-2009. Lanteri holds an MBA.

Kai Brander (born 1960) has been Head of Treasury and deputy CEO of the Issuer since 2013. Mr Brander was Head of Trading and Liquidity of Danske Bank Finland from 2007 to 2013, Head of Trading and Sales of Leonia Bank / Sampo Pankki from 1999 to 2007, Assistant General Manager for interest products, risk and asset management committee from 1996 to 1999, Vice President (trading activities) for Postipankki, Singapore Branch, from 1993 to 1996 and director for money market (market risk) of Postipankki from 1991 to 1993. Mr Brander holds a Master of Science in Economics.

Auditors

The Issuer has one auditor, which is required to be a public accounting company approved by the Finnish Chambers of Commerce. The financial statements for the financial years ended 31 December 2014 and 31 December 2013 are incorporated in this Base Prospectus by reference and have been audited by PricewaterhouseCoopers Oy ("**PwC**"). The business address of the auditors and the auditors' firm is Itämerentori 2, FI 00100 Helsinki, Finland. On 19 March 2015, the general meeting of the Issuer elected KPMG Oy Ab as the Issuer's auditor. For the financial year 2015, KPMG Oy Ab is also responsible for the Issuer's internal audit. The business address of KPMG Oy Ab is Töölönlahdenkatu 3 A, FI 00101 Helsinki, Finland.

Corporate Governance

The activities of the Issuer comply with the provisions of current legislation, including but not limited to the Finnish Companies Act. In addition, the Issuer complies with orders issued by the authorities, good banking practice regulations approved by the Federation of Finnish Financial Services, as well as the Group's corporate governance policies and other internal guidelines. The Issuer also complies with its own Articles of Association.

The Group's governance policies are approved by the Board of Directors of the Union Co-op and updated at least once a year or whenever there are changes in the operating environment, business model, regulations, and/or statutory requirements. For more information on the Group's corporate governance, see "*Information on the Group and the Amalgamation—Corporate Governance*".

Shares and Shareholders

In March 2014, the General Meeting of the Issuer authorised the Board of Directors to issue a maximum of 35,000 new shares of which the Board of Directors has issued 12,391 shares at the date of this Base Prospectus. The issued shares were directed to the Savings Banks. Any future share issues would be directed pro rata to the Savings Banks (directed share issue) if additional equity capital should be needed. As at the date of this Base Prospectus, the Issuer held none of its own shares and the General Meeting had not authorised the Issuer to acquire its own shares. As at the date of this Base Prospectus, the Issuer's share capital amounted to EUR 39,999,618.60, divided into 17,391 shares.

The Savings Banks hold 94.70 per cent of the shares in the Issuer. The following table sets forth the Issuer's shareholders as at the date of this Base Prospectus:

Shareholder	Business identity code	Number of shares	Percentage of share capital (%)
Aito Säästöpankki Oy	2286574-2	1,357	7.8
Avain Säästöpankki	0179732-2	512	2.9
Ekenäs Sparbank	0131296-2	381	2.2
Eurajoen Säästöpankki	0132326-6	503	2.9
Helmi Säästöpankki Oy	0151889-9	634	3.6
Huittisten Säästöpankki	0132825-1	906	5.2
Kalannin Säästöpankki	0133409-6	403	2.3
Kiikoisten Säästöpankki	0134011-1	57	0.3
Kristinestads Sparbank[1]	0179850-1	218	1.3
Kvevlax Sparbank	0198368-6	377	2.2
Lammin Säästöpankki	0197794-8	1,085	6.2
Liedon Säästöpankki	0134703-0	1,930	11.1
Länsi-Uudenmaan Säästöpankki	0128371-9	1,300	7.5
Mietoisten Säästöpankki	0135240-3	337	1.9
Myrskylän Säästöpankki	0129183-1	311	1.8
Nooa Säästöpankki Oy	1819908-9	331	1.9
Närpes Sparbank[1]	2650799-3	665	3.8
Oma Säästöpankki Oy[2]	2231936-2	916	5.3
Pyhärannan Säästöpankki	0138069-0	100	0.6
Säästöpankkien-Holding Oy[3]	1834888-1	41	0,2
Someron Säästöpankki	0153091-9	976	5.6
Suomenniemen Säästöpankki	0163299-0	183	1.1
Sysmän Säästöpankki	0167362-9	205	1.2
Säästöpankki Optia	0170559-8	2,739	15.7
Säästöpankki Sinetti	0197848-1	499	2.9
Ylihärmän Säästöpankki	0184467-8	342	2.0
Yttermark Sparbank[1]	0198415-2	83	0.5
Total		17,391	100.00[4]

1 Yttermark Sparbank and Kristinestads Sparbank are to be merged into Närpes Sparbank. A merger plan has been concluded and approved by the boards of the three savings banks on 13 January 2015. The general meetings of the three banks will discuss and approve the merger plan during spring. The closing of the merger is scheduled to take place in the turn of May/June. After the merger Närpes Sparbank will own 966 shares in the Issuer, which is 5,6 per cent. of the Issuer's share capital.

2 Oma Säästöpankki Oy is not a member of the Group or the Amalgamation.

3 Säästöpankkien Holding Oy is the Group's holding company which owns 41 shares of the Issuer. Säästöpankkien-Holding received the 41 shares of the Issuer in 2014 as Saaristosäästöpankki withdrew from the Group and merged with Aktia Bank Abp on 1 July 2014.

4 Subject to rounding.

On-going and Future Investments

The Issuer has not made any significant investments or firm investment commitments since the date of its latest financial statements, specifically 31 December 2014.

The Savings Bank's cooperation with Aktia Real Estate Mortgage Bank Plc for wholesale funding has ended in October 2012. The Issuer may bridge fund the on-going and future transfer of Aktia Real Estate Mortgage Bank Plc's housing loans to the balance sheets of the Savings Banks and/or to the Sp-Mortgage Bank, which is to be established.

Trend Information

There has been no material adverse change in the prospects of the Issuer since 31 December 2014.

Credit Rating

The Issuer was assigned a credit rating of A- by S&P on 7 April 2015.

Risk-bearing capacity and capital adequacy

The Issuer and other Member Credit Institutions are subject to what is provided in Chapter 10 of the Credit Institutions Act and Parts 2-4 of the CRD IV Regulation concerning the requirements to be set for credit institutions' own funds.

The FIN-FSA may grant the Union Co-op permission to decide that its Member Credit Institutions will not be subject to what is provided in the above mentioned provisions. A Member Credit Institution to which the exemption applies must have its own funds accounting for at least 80 per cent. of the total amount of the requirement for its own funds as laid down in Chapter 10, section 1 of the Credit Institutions Act.

If a Member Credit Institution is subject to the exemption, the amount of exposure as referred to in Part 4 of the CRD IV Regulation cannot exceed 40 per cent. of the amount of the Member Credit Institution's own funds. If the client is a Member Credit Institution, a credit institution or an investment firm, the exposure cannot exceed 40 per cent. of the amount of the Member Credit Institution's own funds, or if this amount is less than EUR 240 million, the exposure cannot exceed the amount confirmed internally by the Member Credit Institution, which amount can neither exceed EUR 240 million nor exceed 100 per cent. of the amount of the Member Credit Institution's own funds. The FIN-FSA may, in certain circumstances, grant a Member Credit Institution permission to deviate from the above limit. If such permission is, the exposure of a Member Credit Institution or investment firm also means exposure in relation to a group of clients that includes at least one credit institution or investment firm. When applying the aforementioned, the aggregated exposure relating to clients in a client group that are not Member Credit Institutions or investment firms cannot exceed 40 per cent. of the amount of the Member Credit Institution's own funds. The provisions of Chapter 10, section 11, subsection 3 of the Credit Institutions Act shall be applied to the calculation of the limit referred to above.

If a Member Credit Institution is subject to the exemption, the Member Credit Institution cannot invest more than an amount corresponding to 25 per cent. of its own funds in investments referred to in Article 89 of the CRD IV Regulation. The Member Credit Institution's total investments may account for an amount corresponding to a maximum of 75 per cent. of the credit institution's own funds.

The CRD IV Regulation is directly binding on member states and as it came into force, a significant proportion of the FIN-FSA standards on capital calculations were repealed. The European Banking Authority (EBA) will issue more detailed technical and implementation standards, which are binding regulations for Member States. The Credit Institutions Act also imposes new additional capital requirements on banks, and they must be covered by CET1 capital. As from the beginning of 2015, in addition to the minimum capital requirement, banks also have to comply with the capital conservation buffer, which is 2.5 per cent. of total risk weighted assets. The capital conservation buffer increases the CET1 capital requirement on banks to 7 per cent. and the total capital requirement to 10.5 per cent. of total risk. Furthermore, the FIN-FSA may set a countercyclical capital buffer of 0 per cent. - 2.5 per cent. by separate decision. This also will have to be covered by CET1 capital. Each of the Savings Bank has committed to participate in the capitalisation of the Issuer, if more equity capital is needed

Capital adequacy of the Issuer

As at 31 December 2014, the Issuer’s capital structure consisted primarily of CET1 capital. The Issuer’s own funds were EUR 44.9 million (2013: EUR 10.9 million), of which CET1 capital accounted for EUR 44.8 million (2013: EUR 10.9 million). Tier 2 (T2) capital accounted for EUR 66 thousand (2013: EUR - 1 thousand). The capital ratio, own funds (TC) as a percentage of risk-weighted assets, of the Issuer was 145.8 per cent. (2013: 70.7 per cent.) and the CET1 capital ratio was 145.6 per cent. (2013: 70.7 per cent.).

	2014	2013*
	(EUR, thousands)	
STATEMENT OF CAPITAL ADEQUACY		
Own funds		
Common Equity Tier 1 before regulatory adjustments	46,306	10,916
Share capital	40,000	5,000
Retained earnings	-12,838	-10,013
Profit (loss) for the period	80	-3,084
Regulatory adjustments to Common Equity Tier 1	-1,490	0
Common Equity Tier 1 (CET1) total	44,816	10,916
Tier 1 Capital (T1=CET1 + AT1) total	44,816	10,916
Tier 2 capital before regulatory adjustments	66	-1
Adjustments to Tier 2 capital	0	0
Tier 2 Capital (T2) total	66	-1
Own funds (TC = T1 + T2) total	44,882	10,915
Risk-weighted assets		
Credit and counterparty risk	26,289	13,220
Items in balance sheet	23,774	13,218
Off balance-sheet commitments	2,515	2
Credit valuation adjustment		
Market risk	0	0
Currency risk	0	0
Operational risk	4,501	2,224
Risk-weighted assets total	30,790	15,444
Minimum standard of Own funds	2,463	1,236
Amount which exceeds minimum standard of Own funds	42,419	9,680
Common Equity Tier 1 (CET1) as a percentage of risk-weighted assets	145.6	70.7
Tier 1 Capital (T1) as a percentage of risk-weighted assets	145.6	70.7
Own funds (TC) as a percentage of risk-weighted assets	145.8	70.7

* Figures are based on Basel II.

Liquidity Coverage Ratio

In respect of liquidity requirements, the Basel Committee has supplemented their principles for sound liquidity risk management and supervision by fortifying their liquidity recommendations. The Basel Committee has introduced two new liquidity ratios for credit institutions. Firstly, in order to improve the short-term payment capabilities of financial institutions, a liquidity coverage ratio ("**LCR**") will be implemented in 2015, pursuant to which the liquidity buffer comprised of high quality liquid assets (HQLA) must amount at least 100 per cent. of the stress-tested amount of monthly net cash outflows. This requirement must be met by the year 2019, and may be met in stages up to that date. Secondly, the Basel Committee has developed the Net Stable Funding Ratio (the "**NSFR**") which aims to ensure that a firm has an acceptable amount of stable funding to support its assets and activities over a one year horizon. The NSFR is scheduled to enter into force in 2018 without a phase-in period.

The Issuer manages the total LCR on behalf of the Savings Banks and the Amalgamation. For this purpose each individual Savings Bank has an LCR account with the Issuer. Funds deposited on these accounts complement other LCR eligible assets in the portfolios of individual Savings Banks. The LCR account based funds are invested by the Issuer in accordance with a policy accepted by the Board of Directors of the Issuer. The Savings Banks can treat these deposits as liquid assets on a look-through basis. At the end of March 2015, the total LCR portfolio consisted of approximately EUR 475 million out of which the LCR accounts constituted approximately EUR 180 million. The Issuer and the Union Co-op monitor the total LCR of the Amalgamation and the LCR of individual Savings Banks.

Selected Financial Information

The following is a summary of the Issuer's audited financial statements for the financial years ended 31 December 2014 and 31 December 2013. The Issuer's financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as adopted by the EU.

	As at and for the twelve month period ended 31 December	
	2014	**2013**
	(Audited)	
	(EUR, thousands)	
STATEMENT OF PROFIT OR LOSS DATA*		
Interest income	496	149
Interest expense	-342	-48
Net interest income	**154**	**101**
Net fee and commission income	718	869
Other operating revenue	3,489	6
Total operating revenue	4,360	976
Personnel expenses	-1,915	-2,117
Other operating expenses	-2,098	-1,803
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-243	-10
Total operating expenses	-4,256	-3,930
Net impairment loss on financial assets	0	-10
Profit before tax	**104**	**-2,964**
Income tax expense	-24	-15
Profit	**80**	**-2,979**

* The full Statement of profit or loss and other comprehensive income are contained in the financial statements of the Issuer that are incorporated herein.

	As at 31 December	
	2014	**2013**
	(Audited)	
	(EUR, thousands)	
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash and cash equivalents	513,509	27,574
Loans and advances to credit institutions	141,697	10,014
Loans and advances to customers	305	12
Investment assets	54,872	17,984
Property, plant and equipment	89	96
Intangible assets	1,424	308
Tax assets	0	0
Other assets	2,171	338
Total Assets	**714,067**	**56,327**
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	653,096	42,910
Liabilities to customers	700	1,725
Debt securities issued	12,979	0
Tax liabilities	105	65

	As at 31 December	
	2014	**2013**
	(Audited)	
	(EUR, thousands)	
Provisions and other liabilities	881	465
Total liabilities	**667,761**	**45,166**
Equity		
Share capital	40,000	5,000
Reserves	19,064	18,999
Retained earnings	-12,758	-12,838
Total equity	**46,306**	**11,162**
Total liabilities and equity	**714,067**	**56,327**

INFORMATION ON THE GROUP AND THE AMALGAMATION

The Issuer as a part of the Group and the Amalgamation

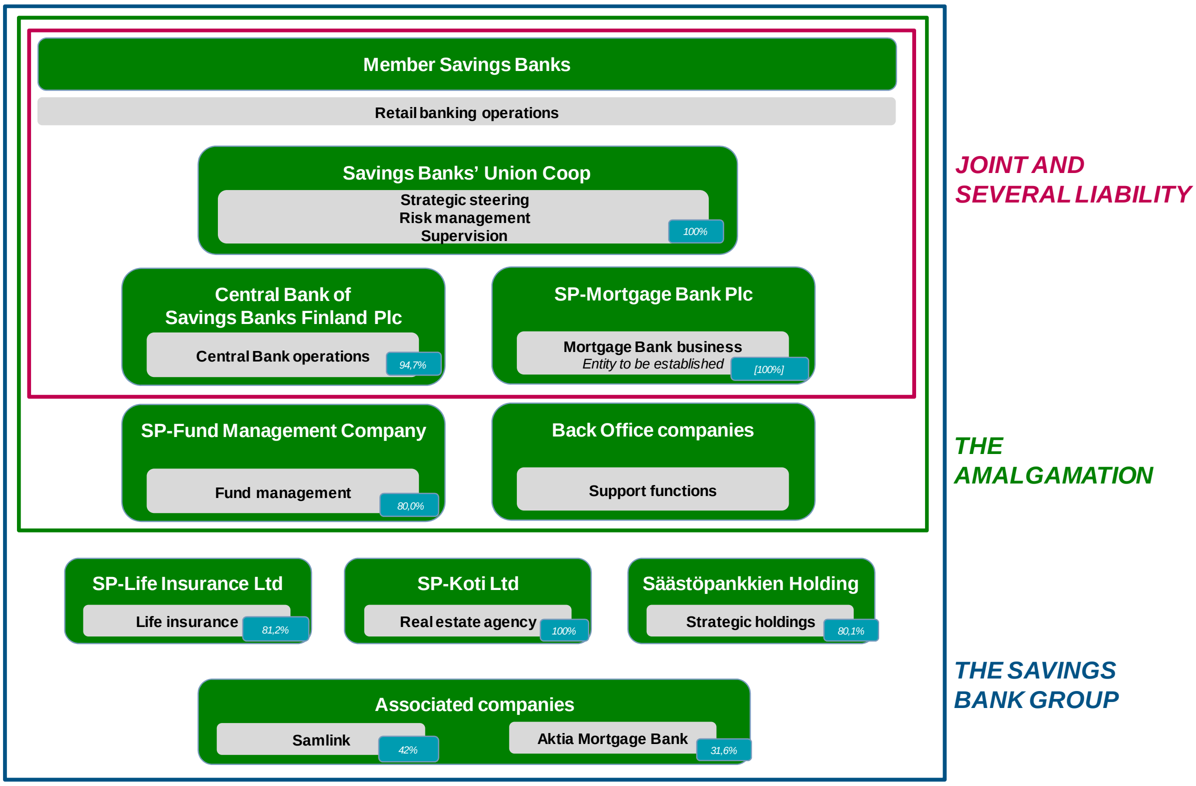
The Amalgamation comprises the Savings Banks' Union Co-op, which acts as the central institution of the Amalgamation, 25 Savings Banks (as at the date of this Base Prospectus), the Issuer, Sp-Fund Management Company Ltd, as well as the companies within the consolidation groups of the above-mentioned entities.

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 Sp-Life Insurance Ltd, Sp-Koti Ltd and Säästöpankkien Holding Ltd.

The Group operates only in Finland and is the oldest banking group in Finland. The first of the Savings Banks was established in Turku in 1822. The Finnish Savings Banks Association (which became the Savings Banks' Union Co-op as of 30 April 2014) is the central institution of the Savings Banks, was established in 1906 and changed its form from a registered association to a co-operative in 2014.

In November 2013 and January 2014, the Savings Banks within the Group came to a decision on the forming of an amalgamation as defined in the Amalgamations Act and to turn the Union Co-op into a central institution for the Amalgamation. In November 2013, the Savings Banks decided to join the Amalgamation, approving its operating principles and the bylaws of the Union Co-op and making the changes to the Savings Banks' bylaws or Articles of Association required by taking up the membership in the Amalgamation. For more information on the regulation, see "*Information on the Group and the Amalgamation – the Amalgamations Act*". The Union Co-op obtained the licence from the FIN-FSA to act as the central institution of the Amalgamation on 16 October 2014, and the operations as the Amalgamation began on 31 December 2014.

The diagram below shows the structure of the Group, the Amalgamation and the joint and several liability within the Amalgamation.



The Structure of the Group and the Amalgamation

In the Group, Amalgamation-level executive decision-making and steering influence the decision-making in the individual companies of the Amalgamation. Additionally, Amalgamation-level executive decisions form the basis of the individual company's board decisions as necessary. As well as executive steering, individual companies must take into account legal and administrative requirements.

The Amalgamation (shown in the green box in the diagram above) is a financial group formed by the Savings Banks, the Issuer and their central institution, the Union Co-op, and their subsidiaries and associated institutions. Certain entities within the Amalgamation (shown in the red box in the diagram above) share joint liability under the Amalgamations Act. The assets of these entities make up approximately 99.97 per cent. of the total Amalgamation assets and 93.58 per cent. of the Group assets as at 31 December 2014.

The ideological basis of the Amalgamation is the promotion of thrift amongst the Savings Bank customers and their financial wellbeing. This is the root of its values, its basic service principles and the focus of its customer work.

The purpose of the Union Co-op is to act as the central administrative institution for the Amalgamation in accordance with the Amalgamations Act and to manage the finance and insurance activities within the Group. The Union Co-op aims to promote and support, on the basis of equality, the development and co-operation of the Savings Banks and the Issuer as well as the other companies and entities within the Group and the Group as a whole. For more information on the Union Co-op, see "*Information on the Group and the Amalgamation—Savings Banks' Union Co-op*".

The Group (shown in the blue box in the diagram above) is comprised of the Amalgamation and other institutions belonging to the Group. The Group differs from the Amalgamation in that the Group also includes other institutions apart from credit and finance institutions and service companies. The most notable of these are Sp-Life Insurance (life insurance operations), Säästöpankkien- Holding and Sp-Koti Ltd (real estate brokerage).

The Group does not constitute a company in the sense defined in the Accounting Act or a consolidated group as defined in the Credit Institutions Act.

Savings Banks

The Savings Banks belonging to the Amalgamation own 94.7 per cent. of the Issuer's shares and 100 per cent. of the Amalgamation's central institution, the Union Co-op. Savings Banks are independent regional and local banks. Together the Savings Banks combine local, regional and national interests. At the end of 2014, the Savings Banks maintained 151 offices under their individual brand and under the brand of the Group, with a total of 468,814 customers across all Savings Banks. The Savings Banks have in aggregate approximately 1,161 employees.

The Savings Banks are deposit banks, regulated not only by the Credit Institutions Act but also by the Savings Bank Act, according to which the Savings Banks have the special objective of promoting saving. A minimum of ten corporations or foundations or a minimum of twenty natural persons are required in order to establish a savings bank. The sizes of the Savings Banks vary substantially as the balance sheet of the largest Savings Bank, Säästöpankki Optia, was over EUR 1370.7 million, and the balance sheet of the smallest Savings Bank, Kiikoisten Säästöpankki, was EUR 24.3 million each as at 31 December 2014. A Savings Bank's own restricted capital consists of the basic capital and the reserve fund, as well as possibly a revaluation fund and a basic fund. The Group includes three Savings Banks which take the form of limited companies, whose share capital is included in the basic capital in equity. The FIN-FSA has granted credit institution licences to all of the Savings Banks and supervises the operations at Amalgamation-level.

The Savings Banks focus on low-risk retail banking, particularly services related to daily business, saving and investments, and lending services. The target groups of the Savings Banks are working-age households, small and medium-sized enterprises ("**SMEs**") and agricultural customers. The product and service range covers all the main banking services for both personal and business customers. They are complemented by other financial sector services and products provided together with partners. In the Greater Helsinki area, a corresponding retail bank operation is carried out by Nooa Säästöpankki Oy, which is a company jointly owned by the other Savings Banks and Oma Säästöpankki Oy.

The sales of products and services are provided by both physical branch offices and online banking. The majority of the Group's corporate customers have an annual turnover of under EUR 10 million. The majority of the funds raised by the Group have been granted as housing loans to the Group's customers. As at 31 December 2014, households, SME's and agricultural customers made up 100 per cent. of the loans on the Group's balance sheet. The majority of the Group's loans (71 per cent.) have been granted against residential housing serving as collateral for the loan.

The Savings Banks original ideology, the desire to promote the wellbeing of individuals and communities, continues to be the basis of the Savings Banks' operations today. The promotion of thrift is mentioned in the Savings Bank Act as the special purpose of the Savings Banks. The aim of the Savings Banks is to increase customer share, good profitability, economic wellbeing of both the local community and customers, and a Savings Bank brand, which attracts both customers and employees.

Comparison of the Total Assets of the Amalgamation and the Group

The Savings Banks and their total assets as of 31 December 2014 are the following:

Name of the Savings Bank	31 December 2014 (*Consolidated*) (EUR million)
Aito Säästöpankki Oy	732.9
Avain Säästöpankki	279.5
Ekenäs Sparbank	148.3
Eurajoen Säästöpankki	213.1
Helmi Säästöpankki Oy	267.0
Huittisten Säästöpankki	371.2
Kalannin Säästöpankki	162.6
Kiikoisten Säästöpankki	24.3
Kristinestads Sparbank	81.5
Kvevlax Sparbank	165.8
Lammin Säästöpankki	458.5
Liedon Säästöpankki	849.8
Länsi-Uudenmaan Säästöpankki	639.0
Mietoisten Säästöpankki	136.7
Myrskylän Säästöpankki	138.9
Nooa Säästöpankki Oy	627.3
Närpes Sparbank	262.9
Pyhärannan Säästöpankki	39.3
Someron Säästöpankki	428.3
Suomenniemen Säästöpankki	74.7
Sysmän Säästöpankki	89.9
Säästöpankki Optia	1370.7
Säästöpankki Sinetti	214.3
Ylihärmän Säästöpankki	135.0
Yttermark Sparbank	37.2
Total	**7,948.8**
Total Assets of the Group	**8,400.5**

The Savings Banks share joint and several liability for each others' debts and those of the Issuer (subject to the limitations of the Amalgamation Act). The combined assets of the Savings Banks were EUR 7,948.8 million as at 31 December 2014. By comparison the combined assets of the Group were EUR 8,400.5 million as at 31 December 2014.

Corporate Structure

The corporate structure of the Savings Banks takes one of two forms, either that of a traditional savings bank or a savings bank limited company. The highest level of decision making in the Savings Banks structured using the traditional savings bank form rests with the board of trustees of a Savings Bank (in Finnish*: isännistö*), who are representatives of the depositors and who may also be equity capital shareholders. The highest level of decision making in the Savings Banks which are structured as limited companies rests with the savings bank trusts at the annual general meeting, the boards of which are similarly comprised of representatives of the depositors. The board of trustees of a Savings Bank and the Savings Bank trusts at the annual general meeting elect the board for their respective Savings Banks.

Savings Banks' Union Co-op

The Union Co-op was established in 1906 (prior to 30 April 2014: The Finnish Savings Banks Association), and is organised under the laws of the Republic of Finland. The Union Co-op's financial year is one calendar year. The Union Co-op is domiciled in Espoo, Finland, and registered in the Finnish Trade Register under the business identity code 0117011-6. Its registered address is Linnoitustie 9 02600 Espoo, Finland. The Union Co-op is owned by the Savings Banks.

The Union Co-op is the central institution for the Amalgamation. The Union Co-op's bylaws supplement the Amalgamations Act. Decisions on amendments to the Union Co-op's bylaws shall be made by the cooperative meeting in accordance with the Cooperatives Act and the Union Co-op's bylaws. The Union Co-op's bylaws retain, among other things, information on the Union Co-op's purpose, the control and supervision of the Amalgamation, withdrawal and expulsion of members, information on the cooperative meetings, information on the duties and the election of the Union Co-op's management, representation of the Union Co-op, information on the shares and cooperative contribution, fees for the services provided to the Union Co-op's members, information on the Union Co-op's responsibility for debts of the Member Credit Institutions and information on the joint liability under the Amalgamations Act.

The Union Co-op's key objective is to support and foster the competitiveness of the Savings Banks and the achievement of the Group's objectives. Pursuant to the Amalgamations Act, the Union Co-op is responsible among other things for issuing guidelines on risk management, good corporate governance, internal control and guidelines for the application of uniform accounting principles in preparing the consolidated financial statements of the Group. For further information on the Union Co-op's role and its responsibility under the Amalgamations Act, see "*The Amalgamations Act*".

According to Article 2 of its bylaws, the Union Co-op's objective is to provide services needed by the companies belonging to the Amalgamation, hold shares and participations in the companies belonging to the Amalgamation and to engage in other investment activities that may be justified from the perspective of the Amalgamation. The Union Co-op may not engage in any other material business. The Union Co-op may arrange the services it is to provide through subsidiaries or other companies. The Union Co-op controls the centralised services of the Group, develops the business of the Group, sees to the strategic direction of the Group and the supervision of its interests and is in charge of the control and supervision duties that pertain to the central institution of an amalgamation and the undertaking at the head of a financial and insurance conglomerate.

In accordance with the Amalgamations Act, a credit institution may be accepted as the Union Co-op's member, provided that the credit institution's bylaws or articles of association under section 6 of the Amalgamations Act have been adopted. The decision on the adoption of the bylaws or the articles of association shall be valid only if the related proposal is supported by at least a two-thirds vote given by those at a cooperative meeting or meeting of trustees of the credit institutions or if it is supported by at least a two-thirds vote given by those at a general meeting of shareholders of the credit institutions and two-thirds of shares represented at the meeting.

The Union Co-op is tasked with promoting the development and co-operation of the Savings Banks and to act as their representative. Joint Savings Bank policies, most importantly the strategy, are decided by the Board of Directors of the Union Co-op. The Union Co-op attends to the business development, marketing, training provision and communications of the Savings Banks.

The primary objective of the Union Co-op is to facilitate the achievement of the Amalgamation's shared strategic goals. The Union Co-op is responsible for the steering and oversight of the Amalgamation in accordance with the Amalgamations Act, as well as coordinating the centralised development and service provision functions of the Amalgamation.

As part of the supervision of the interests of its members, the Union Co-op may enter into agreements on behalf and on the joint account of its members in accordance with the principles approved by the cooperative meeting. The Union Co-op may not make decisions or take measures that are likely to result in unjust benefit to a member or another party to the detriment of the Union Co-op or another member.

The shared support services required by the Savings Banks and product and service companies are organised in the Union Co-op. These centralised services relate to the Group's governance, steering, development, support services and the Group's ICT management. In terms of input-output, these services are best centralised for reasons of know-how, efficiency, and risk management. In addition, the treasury function and mortgage bank operations are handled by the Union Co-op in its role as the central institution's functional organisation, as these services also form a part of the centralised support services, and are only organised as a separate company for practical reasons.

At 31 December 2014, the Union Co-op employed a staff of 26.

Management of the Union Co-op

The highest decision-making body of the Union Co-op is formed of the members in attendance at the Annual Meeting of the Union Co-op, which is attended by all member banks of the Union Co-op. An extraordinary cooperative meeting shall be convened if the Board of Directors finds it necessary or if it is required by law. The Annual Meeting elects the Board of Supervisors of the Union Co-op. Members of the Board of Supervisors include the chairpersons of the Boards of Directors of all Savings Banks or the chairperson of the Board of Supervisors, if the bank has such a body. The Board of Supervisors consists of no less than nine (9) and no more than thirty-five (35) members.

The members of the Union Co-op at the Annual Meeting elect the Board of Directors (6–9 members) of the Union Co-op. The Board of Directors mainly consists of CEOs of the Savings Banks. The Board of Supervisors and Board of Directors of the Union Co-op establish committees to support their operation as required by the Act on Credit Institutions and otherwise at their discretion. Each of these has an appropriate charter, detailing its purpose, composition, operation and functions.

The Union Co-op's Board of Directors has the following committees: the Audit Committee, Risk Committee and the Asset and Liability Management Committee.

Board of Supervisors of the Union Co-op

The supervisory board is responsible for supervising the management of the Union Co-op, as carried out by the Board of Directors and the CEO, as well as supervising the expert and diligent management of the Union Co-op's activities in accordance with the Cooperatives Act and the interests of the central institution and the Group. In particular, the Board of Supervisors is responsible for maintaining and promoting internal cooperation within the Group. The supervisory board may issue instructions to the board of directors regarding matters that are extensive or significant in terms of principle. In addition, the supervisory board shall (1) give a statement to the cooperative meeting on the Group's strategy and other shared objectives and operating principles; (2) confirm the Group's rules of audit and operating principles of audit; (3) give a statement to the annual cooperative meeting on the financial statements, consolidated financial statements and annual report; (4) decide upon a prohibition on returning the subscription prices paid for shares and upon the revocation of such prohibition; and (5) handle other matters upon the proposal of the board of directors. The supervisory board has established two permanent committees, the Appointment Committee and the Compensation Committee.

Board of Directors of the Union Co-op

At the date of this Base Prospectus, the Chairman and members of the Union Co-op’s Board of Directors were: Mr Jussi Hakala (Chairman), the CEO of Lieto Savings Bank; Mr Matti Saustila (Deputy Chair), the CEO of Eurajoki Savings Bank; Mr Hans Bondén, the CEO of Närpiö Savings Bank; Ms Pirkko Ahonen, the CEO of Aito Savings Bank; Mr Kalevi Hilli, the CEO of Optia Savings Bank; Mr Toivo Alarautalahti, the CEO of Huittinen Savings Bank; Mr Jan Korhonen, the CEO of Suomenniemi Savings Bank and Ms Hanna Kivelä, the Industry Head of Google Finland Oy.

Conflicts of Interests

Except for the joint liability under the Amalgamations Act, there are no conflicts of interest between the duties of the members of the Union Co-op’s administrative and management bodies to the Union Co-op and their other duties and private interests.

CEO and Deputy CEO

The CEO of the Union Co-op is Mr Pasi Kämäri. Mr Harri Mattinen, Vice President of Development, serves as Deputy to the CEO. In accordance with the provisions of the Cooperatives Act, the CEO shall see to the executive management of the Union Co-op. Furthermore, the CEO shall execute the strategy of the Group in accordance with the instructions and orders given by the Board of Directors, prepare the matters to be presented to the Board of Directors and assist the Board of Directors in preparing the matters to be presented to the supervisory board.

The business address of the CEO and the Deputy CEO is Linnoitustie 9 02600 Espoo, Finland.

Corporate Governance

The activities of the Group comply with the provisions of current legislation, orders issued by the authorities, good banking practice regulations approved by the Federation of Finnish Financial Services, as well as the Group's corporate governance policies and other internal guidelines.

The Group's governance policies are approved by the Board of Directors of the Union Co-op and updated at least once a year or whenever there are changes in the operational environment, business model, regulations, and/or statutory requirements.

The activities of the Amalgamation and its central institution, the Union Co-op, are regulated by European Union and national legislation and regulation. The relevant national statutes are contained in the Act on Credit Institutions, the Act on the Amalgamation of Deposit Banks, the Savings Banks Act and the Cooperatives Act. In addition, the Amalgamation operates in accordance with good banking practice and the procedural regulations concerning personal data processing.

The corporate governance in accordance with the governance policies comprises the Board of Directors and executive directors, relations between the shareholders and other stakeholder groups, the setting of targets, deciding on the means of attaining them, and monitoring performance. Implementation of corporate governance policies is promoted by a clear frame of reference, consistently and comprehensively documented guidelines, and clearly defined decision-making levels.

The Group attempts to minimise the realisation of operative risks by continuously developing its personnel and by putting in place extensive policies and internal control measures, which include the separation, where possible, of preparatory work, decision-making, implementation and monitoring.

The risks of new products or services shall be assessed before introduction. An assessment shall also be performed at the introduction of a new service package if products and services are combined in a new way. The Union Co-op is responsible for internal control and risk management processes as required when new products or services are being introduced.

The Union Co-op is responsible for the Amalgamation's risk management and has established a risk committee. The risk committee assists the Union Co-op's Board of Directors and operative management and its tasks include, but are not limited to, the preparation of Amalgamation-level risk strategies and limits, monitoring that the Member Credit Institutions' risk strategies are in compliance with the Amalgamation-level risk strategies, assessments of the Member Credit Institutions' credit risks and management of the capital adequacy.

Auditor of the Union Co-op

The Union Co-op has one auditor, which is required to be a public accounting company approved by the Finnish Chambers of Commerce. The auditor also audits the consolidated financial statement as referred to in the Amalgamations Act. The consolidated financial statement as referred to in the Amalgamations Act for the financial year ended 31 December 2014 is incorporated in this Prospectus and has been audited by KPMG Oy Ab, with Authorised Public Accountant Petri Kettunen as responsible auditor. The business address of the auditors and the auditors' firm is Töölönlahdenkatu 3 A, FI 00101 Helsinki, Finland.

Strategy of the Savings Banks

The Savings Banks focus on retail banking and in particular day-to-day banking, saving and investing, and lending services. The Savings Banks' products and services portfolio covers all key banking needs of private and corporate customers alike. These are complemented by the financial-sector services and products provided in collaboration with our partners. The Savings Banks' main customer focus is on household, SME customers and agricultural customers.

The aim of the Savings Banks is to increase customer share, good profitability, economic wellbeing of both the local community and customers, and a Savings Bank brand which attracts both customers and employees.

The Savings Banks growth shows both in current customers concentrating their banking with the Savings Banks and in the rising number of new customers. The Savings Banks strategy relies on the competence of the Savings Banks' employees.

The Savings Banks' success is based on good profitability, cost-effectiveness, financial solidity, and risk management. Business development, risk-bearing capacity, dependable operations and security all rest on the foundation of a capital adequacy buffer.

Despite the above, each of the Savings Banks operates individually and has its own strategy linked to the Group-level strategy.

Service Companies and Associated Companies

In addition to the Issuer, the Group has several service companies. SP Back Office Oy, SP Taustataiturit Oy, Sp-Fund Management Company Ltd and SP-Mortgage Bank Ltd (to be established) belong to the Amalgamation. Sp-Life Insurance Ltd, Sp-Koti Ltd and Säästöpankkien Holding do not belong to the Amalgamation but they are part of the Group. Savings Banks' Guarantee Fund was liquidated on 10 March 2015. In addition, the Group or companies belonging to the Group own shares in the associated companies, Samlink Group and Aktia Real Estate Mortgage Bank Plc.

Sp-Fund Management Company Ltd is an investment fund company owned by the Savings Banks that provides the Savings Banks and their customers with services in fund and asset management. Established in 2003, it promotes long-term saving and serves as the investment markets expert unit for the savings banks. At the end of 2014, the company administered 19 mutual funds with a total capital of EUR 1.2 billion. The number of fund unit holders at that time was 125,004. At the end of 2014, the funds administered on the basis of individual asset management agreements totalled EUR 0.3 billion.

Sp-Life Insurance complements the Savings Banks' core business and strategy of saving and investment. The company offers life insurance products and services for private customers and corporate saving, investment and personal risk coverage.

Sp-Koti Ltd is a real estate agent franchising entity, which coordinates and upholds the Savings Bank values within the real estate franchise. Sp-Koti Ltd offers a franchising opportunity to local estate agents to benefit from the use of the Savings Banks logo and the strong support provided by their local Savings Bank. During its first four years of operation, the franchise has expanded strongly to cover the entire country. At the end of 2014, Sp-Koti served customers in 53 locations.

Samlink Group provides the Group with banking and information system services. The Savings Banks together own 42 per cent. of the shares in Samlink Group. The other shareholders are Aktia Bank Abp, POP Banks, Handelsbanken, Oma Säästöpankki Ltd and Itella. Established in 1994, the Samlink Group is one of the first Finnish companies focusing on information technology service provision for the financial sector. Samlink Group's subsidiary Paikallispankkien PP-Laskenta Ltd provides financial administration services to businesses operating in the financial sector. Samcom Oy, another subsidiary of the Samlink Group, offers online transaction services for the financial and energy sectors and for other industries. Partly owned by the Samlink Group, Project IT Ltd supplies project management and ITC consulting services in the financial and other sectors.

Aktia Real Estate Mortgage Bank Plc's operations are governed by the Act on Mortgage Banks and the Credit Institutions Act. Its shareholders are the Savings Banks (31.6 per cent.), Aktia Bank Abp, Oma Säästöpankki Ltd and the POP Banks. Aktia Real Estate Mortgage Bank Plc acts as a service company, and its financial services to shareholders are thus priced at cost. Since October 2012, Aktia Real Estate Mortgage Bank Plc has focused on managing its existing loan stock and its refinancing. Re-mortgaging customers have been directed to the shareholding banks. At the end of 2014, the loan stock of EUR 1.9 billion held by the Aktia Real Estate Mortgage Bank Plc was made up of more than 27,900 individual mortgages. Loans brokered by the Savings Banks accounted for 44.6 per cent. of total loan stock (EUR 0.87 billion).

Recent Events

Savings Banks Guarantee Fund was liquidated on 10 March 2015. The fund secured the stable operation of the guarantee fund's member banks. The fund provided member banks with assistance and loans or guarantees for their credit, as well as subscribing to their shares or equity capital shares, capital loans or other commitments attributable to the bank's equity.

Risk-bearing capacity and capital adequacy

The capital adequacy requirements set out in the Credit Institutions Act, are determined based on the combined Amalgamation's operations which are based on the Amalgamations Act which became effective as of 1 July 2010. Owing to the regulations on joint responsibility and security conditions prescribed in the Amalgamations Act, a minimum amount of capital resources has been set aside for the Amalgamation, calculated according to the regulations for capital adequacy specified in the Credit Institutions Act and CRD IV Regulation, which entered into force on 1 January 2014. The CRD IV Regulation is directly binding on member states and as it came into force, a significant proportion of the FIN-FSA standards on capital calculations were repealed. The EBA will issue more detailed technical and implementation standards, which are binding regulations for Member States. The Credit Institutions Act also imposes new additional capital requirements on banks, and they must be covered by CET1 capital. From the beginning of 2015, in addition to the minimum capital requirement, banks also have to comply with the capital conservation buffer, which is 2.5 per cent. of total risk weighted assets. The capital conservation buffer increases the CET1 capital requirement on banks to 7 per cent. and the total capital requirement to 10.5 per cent. of total risk. Furthermore, the FIN-FSA may separately set a countercyclical capital buffer of 0 - 2.5 per cent. This also will have to be covered by CET1 capital.

The Amalgamations Act is based on the principle that the amalgamation is structurally stable and permanent. Therefore, it is a prerequisite for withdrawal from the membership that the capital adequacy calculated for the Amalgamation will remain as regulated irrespective of the withdrawal. The payment liability of an entity belonging to the joint liability shall also apply to a former member which has withdrawn or been expelled from the Amalgamation, if less than five years have passed since the end of the financial year in which such entity withdrew or was expelled from the Amalgamation when a demand regarding payment liability is made on the former member.

Capital adequacy of the Amalgamation

As at 31 December 2014, the Amalgamation's capital structure consisted primarily of CET1 capital. The Amalgamation's own funds were EUR 814.3 million (2013: EUR 804.1 million), of which CET1 capital accounted for EUR 737.6 million (2013: EUR 645.0 million). Tier 2 ("**T2**") capital accounted for EUR 76.8 million (2013: EUR 159.1 million), of which EUR 43.4 million (2013: EUR 159.1 million) was in debentures. The capital ratio of the Amalgamation was 18.6 per cent. (2013: 19.6 per cent.) and the CET1 capital ratio was 16.9 per cent. (2013: 15.7 per cent.).

The new capital adequacy regulations brought more detail to the definitions of "own funds" and "total risk", i.e. risk-weighted assets. Consequently, the key figures for 2013 year-end capital adequacy are not fully comparable to the 2014 year-end figures. The most significant individual changes in regulations, from the point of view of the Amalgamation, relate to the financial investments made by the Savings Banks and to amortization of debenture loans, which are no longer included in the calculation of own funds. The standard method is used to calculate the capital requirement to the credit risk of Savings Banks. The capital requirement to operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated with the basic method on the foreign-exchange position.

	2014	2013
	(EUR, thousands)	
OWN FUNDS[1]		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	796,778	698,201
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-59,220	-53,157
Common Equity Tier 1 (CET1) capital	737,559	645,044
Additional Tier 1 (AT1) capital	0	0
Tier 1 capital (T1 = CET1 + AT1)	737,559	645,044
Tier 2 (T2) capital before regulatory adjustments	26,881	195,804
Total regulatory adjustments to Tier 2 (T2) capital	49,910	-36,710
Tier 2 (T2) capital	76,791	159,094
Total capital (TC = T1 + T2)	814,349	804,138
Total risk weighted assets	4,369,355	4,096,593
of which: credit and counterparty risk	3,811,274	3,691,292
of which: credit valuation adjustment (CVA)	123,140	0
of which: market risk	46,954	43,990
of which: operational risk	387,988	361,310
Common Equity Tier 1 (as a percentage of risk-weighted assets)	16.9 %	15.7 %
Tier 1 (as a percentage of risk-weighted assets)	16.9 %	15.7 %
Total capital (as a percentage of risk-weighted assets)	18.6 %	19.6 %

1 Own funds and capital adequacy as at 31 December 2014 are presented in accordance with the CRD IV Regulation, which came into force on 1 January 2014. The figures for the corresponding period are presented in accordance with legislation in force on 31 December 2013.

The Savings Banks Group’s Financial Statements and Key Indicators

The Group is obliged and entitled to prepare official consolidated IFRS financial statements as from 31 December 2014, which is the date of commencement of the operation of the Amalgamation.

The first official financial statements of the Group contain the balance sheet and notes to the balance sheet, the accounting policy and other notes. As an addendum to the official financial statements, additional financial information on the Group is supplied from the time preceding the Amalgamation. The additional financial data comprises the consolidated financial statements of the Group for the entire financial year 1 January 2014 – 31 December 2014 as well as for the corresponding accounting period of 1 January 2013 – 31 December 2013. The additional financial information is formed by consolidating the audited and approved financial statements of Group's member companies. The objective of this additional financial information is to give an accurate and comprehensive understanding of the Group’s financial position. The balance sheet included in the official financial statements of 31 December 2014 and the balance sheet in the form of additional financial data dated 31 December 2014 are identical in content. The data contained in the release of the financial statement corresponds to the additional financial data presented in the notes within the official financial statements. The additional financial information is formed by consolidating the audited and approved financial statements of Group's member companies. More detailed information on the principles of preparing the financial statements is provided in the official financial statements.

	The Group	
	As at and for the twelve month period ended 31 December	
	2014	**2013**
	(Audited)	
	(EUR, thousands)	
INCOME STATEMENT		
Interest income	162,219	149,880
Interest expenses	-40,197	-39,268
Net interest income	122,022	110,612
Net commissions and fees	63,490	58,806
Net trading income	602	2,097
Net investment income	23,417	23,444
Net income from Life Insurance	9,876	11,803
Other operating income	4,497	18,079
Total net income	**223,903**	**224,841**
Personnel costs	-67,874	-65,252
Other operating expenses	-75,889	-75,366
Depreciations and impairments of property, plant and equipment and intangible assets	-9,218	-8,732
Total expenses	**-152,981**	**-149,351**
Impairment losses on loans and receivables	-10,619	-5,905
Share of the profit of associated companies	2,834	1,489
Earnings before tax	**63,137**	**71,074**
Income tax expense	-16,527	-5,062
Profit for the financial year	**46,610**	**66,013**
Attributable to:		
Attributable to owners	45,391	64,449
Attributable to non-controlling interest	1,219	1,564
Total	**46,610**	**66,013**

	As at 31 December	
	2014	**2013**
	(Audited)	
	(EUR, thousands)	
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash and cash equivalents	532,764	47,823
Financial assets at fair value through profit or loss	132,028	105,120
Receivables from credit institutions	201,453	513,681
Receivables from customers	5,648,909	5,301,417
Derivative contracts	88,705	61,056
Investment assets	1,187,833	1,181,955
Life Insurance assets	439,765	343,041
Investment in associates	44,301	42,202
Property, plant and equipment	55,953	54,519
Intangible assets	18,511	15,991
Tax assets	3,203	4,497
Other assets	47,119	46,088
Total Assets	**8,400,544**	**7,717,389**
LIABILITIES AND EQUITY		
Liabilities		
Financial liabilities at fair value through profit or loss	111,475	88,134
Liabilities to institutions	448,360	297,579
Liabilities to customers	5,807,791	5,609,508
Derivative contracts	4,227	3,763
Debt securities issued to the public	446,484	282,851
Life Insurance liabilities	404,642	314,153
Subordinated liabilities	169,131	193,037
Tax liabilities	76,093	67,307
Provisions and other liabilities	91,111	79,969
Total liabilities	**7,559,313**	**6,936,303**
Equity		
Basic and share capital	10,343	10,343
Reserves	292,125	271,464
Retained earnings	511,630	470,883
Capital and reserves attributable to the owners	**814,099**	**752,690**
Non-controlling interest	27,132	28,396
Total equity	**841,230**	**781,086**
Total liabilities and equity	**8,400,544**	**7,717,389**

THE AMALGAMATIONS ACT

*The following is a brief overview of certain features of the Act on the Amalgamations of Deposit Banks (599/2010, as amended) (in Finnish laki talletuspankkien yhteenliittymästä), (the "**Amalgamations Act**") as of the date hereof. The overview does not purport to be, and is not, a complete description of all aspects of the Finnish legislative and regulatory framework for the Amalgamation.*

General

The Amalgamations Act lays down requirements set for the operations of the Union Co-op acting as a central institution for the Amalgamation and the companies belonging to the Amalgamation.

The Amalgamation is formed by the Issuer, the Savings Banks, the Union Co-op, SP Back Office Oy, SP Taustataiturit Oy, Sp-Fund Management Company Ltd and SP-Mortgage Bank Ltd that is to be established. The Union Co-op acts as the central institution of the Amalgamation.

Supervision

The FIN-FSA shall supervise the Union Co-op as laid down in the Amalgamations Act and the Act on the Financial Supervision Authority. The Union Co-op's Member Credit Institutions and other companies within the Amalgamation shall be supervised by the FIN-FSA as laid down in the Amalgamations Act and the Act on the Financial Supervision Authority, and by the Union Co-op as laid down herein.

The Union Co-op shall exercise oversight to ensure that the companies within the Amalgamation operate in accordance with the laws, decrees and regulations issued by the relevant authorities governing financial markets, and their own rules or articles of associations and the instructions issued by the Union Co-op by virtue of the Amalgamations Act. It is the Union Co-op's duty to supervise the financial position of the companies within the Amalgamation.

The FIN-FSA oversees the Union Co-op so that it controls and supervises the operations of its Member Credit Institutions in accordance with the provisions of the Amalgamations Act.

Licence of the Union Co-op

The FIN-FSA issued a central institution's licence to the Union Co-op on 16 October 2014.

The FIN-FSA may cancel the central institution's licence unless the Union Co-op fulfils the capital requirements laid down in section 19 of the Amalgamations Act. Section 19 of the Amalgamations Act sets forth the requirements for the financial position of the Amalgamation and requires, *inter alia*, that the companies within the Amalgamation must together have own funds of the minimum amount provided for in Chapter 10, section 1 of the Credit Institutions Act, The amount shall be calculated in accordance with what is provided for the calculation of consolidated own funds in CRD IV Regulation. Additionally, pursuant to section 26 of the Act on the Financial Supervision Authority, the FIN-FSA may cancel the licence for example if the essential statutory conditions under which authorisation was granted or business was taken up no longer exist, or if the operations of the Union Co-op constitute a material breach of the provisions governing financial markets or the regulations issued thereunder by the authorities, the terms of authorisation or the rules applicable to the operations of the Union Co-op.

The rights and obligations of the Union Co-op, based on the provisions of Chapter 5 of the Amalgamations Act, which have been established prior to cancellation of the licence, shall not expire owing to said cancellation.

Joint liability of the Amalgamation

In summary, the Amalgamations Act prescribes the following with respect to the joint liability of the Amalgamation:

(a) Union Co-op's liability for debt: The Union Co-op must pay to each Member Credit Institution an amount that is necessary in order to prevent such Member Credit Institution's liquidation. The Union Co-op is responsible for the payments of any debts of a Member Credit Institution that cannot be paid using such Member Credit Institution's own funds.

(b) Joint liability of Member Credit Institutions: A Member Credit Institution must pay to the Union Co-op a proportionate share of the amount which the Union Co-op has paid either to another Member Credit Institution as part of the support action described above, or to a creditor of such Member Credit Institution as payment of a due debt for which the creditor has not received payment from his debtor. Furthermore, upon the insolvency of the Union Co-op a Member Credit Institution has an unlimited liability to pay the debts of the Union Co-op as set out in Chapter 14 of the Act on Cooperatives.

(c) Each Member Credit Institution's liability, for the amount which the Union Co-op has paid on behalf of one Member Credit Institution to its creditors, is divided between the remaining Member Credit Institutions in proportion to their last confirmed balance sheet totals.

(d) Member Credit Institution's obligation to participate in support actions: If the funds of any Member Credit Institution fall below the minimum threshold set out in the Credit Institutions Act or the Amalgamations Act, as the case may be, the Union Co-op is entitled to receive credit from the other Member Credit Institution by collecting additional repayable payments from them to be used to support actions to prevent liquidation of the Member Credit Institution whose funds have fallen below the minimum threshold. The annual aggregate amount of the payments collected from the Member Credit Institution on this basis may in each accounting period be a maximum amount of five thousandths (5/1,000) of the last confirmed balance sheet total of each Member Credit Institution.

(e) Union Co-op's liability to pay a Member Credit Institution's overdue debt: A creditor who has not received payment from a Member Credit Institution on a due receivable (principal debt) may demand payment from the Union Co-op, when the principal debt falls due. As a result, pursuant to the Amalgamations Act, the Union Co-op is responsible for the payment of such debts. Having made such payment, the Union Co-op has a right to collect proportionate shares of the payment from Member Credit Institutions as described above in paragraph (b).

The Amalgamations Act is based on the principle that the Amalgamation is structurally stable and permanent. Therefore, it is a prerequisite for leaving the membership that the solvency calculated for the Amalgamation will remain above the minimum level required by applicable regulation irrespective of such member leaving and after taking into consideration any related liabilities. A member that has left the cooperative will be subject to joint liability even after this, if a Member Credit Institution or central cooperative are placed into liquidation within five years from the end of the financial year following the departure. This period of time is designed to ensure that the Member Credit Institution cannot intentionally avoid its joint liability in accordance with law by leaving the central cooperative if another Member Credit Institution is threatened by liquidation.

Entities other than the Member Credit Institutions do not fall within the scope of the joint liability.

Responsibilities of the Union Co-op

Under the Amalgamations Act, the Union Co-op is responsible for issuing guidelines on risk management, good corporate governance, internal control and guidelines for the application of uniform accounting principles in preparing the consolidated financial statements of the Amalgamation to the Member Credit Institutions, with the aim of ensuring its liquidity and capital adequacy. The Union Co-op also supervises the Member Credit Institutions' compliance with applicable rules and regulations in respect of their financial position, any regulations issued by the relevant supervising authorities, their statutes and Articles of Association. The obligation to issue guidelines and exercise supervision does not however give the Union Co-op the power to direct the business operations of the Member Credit Institutions. Each Member Credit Institution carries on its business independently within the scope of its own resources.

Responsibilities of the Savings Banks

According to section 18 of the Amalgamations Act, a company within the Amalgamation may not, in the course of its operations, take any risk of such magnitude that it poses a substantial danger to the consolidated capital adequacy or liquidity of the companies within the amalgamation.

According to section 19 of the Amalgamations Act, companies within the Amalgamation must together have own funds of the minimum amount provided for in Chapter 10, section 1 of the Credit Institutions Act. The amount shall be calculated in accordance with what is provided for the calculation of consolidated own funds in the CRD IV Regulation.

On joint liability of the Member Credit Institutions, see "*The Amalgamations Act—Joint liability of the Savings Banks Group*".

Consolidated accounts of the Union Co-op and the Member Credit Institutions

The provisions of the Credit Institutions Act apply to the preparation of the Union Co-op’s financial statements and consolidated financial statements and audit. A Member Credit Institution is not subject to provisions governing interim and annual reports prescribed by Chapter 12, section 12 of the Credit Institutions Act.

The Union Co-op shall prepare its financial statements based on the accounts of its Member Credit Institutions consolidated into those of the Union Co-op or on the consolidated financial statements, complying with the IFRS. The consolidated financial statements also include institutions over which the above mentioned institutions jointly have control as prescribed in the Accounting Act. The Group's financial statements, prepared by the Union Co-op, are prepared in accordance with the requirements set forth in the Amalgamations Act. In the event that IFRS cannot be applied owing to the special structure of the Amalgamation, the Union Co-op’s board of directors shall adopt comparable accounting standards suited to the structure of the Amalgamation.

The Union Co-op’s auditors shall audit the consolidated financial statements, by complying with the provisions of the Credit Institutions Act where applicable, which must be presented and notified to the annual cooperative meeting of the Union Co-op.

The Member Credit Institutions shall keep a copy of the financial statements available for public inspection and provide copies thereof in compliance with the provisions under Chapter 12, section 11, subsections 2 and 4 of the Credit Institutions Act. The financial statements of the Union Co-op and its Member Credit Institutions as well as their subsidiaries must be combined to form the consolidated interim and annual reports pursuant, as appropriate, to the provisions of subsection 2 of the Amalgamations Act and Chapter 12, section 12 of the Credit Institutions Act. The Union Co-op’s Member Credit Institutions must give a copy of the consolidated interim report to anyone who requests it.

A Member Credit Institution shall provide the Union Co-op with the information necessary for the consolidation of accounts. In addition, the Union Co-op and its auditor shall have the right to obtain a copy of the documents relating to the Member Credit Institution’s audit for carrying out the audit of the consolidated financial statements, notwithstanding provisions elsewhere in the law governing confidentiality in respect of the credit institution and its auditor.

Withdrawal and/or expulsion of Savings Banks

In accordance with the Amalgamations Act, a Member Credit Institution may leave the central cooperative by making amendments to the relevant provisions of its rules or articles of association and by notifying the board of directors of the central cooperative of this in writing, provided the combined amount of the owned assets of the companies remaining in the Amalgamation remains in compliance with section 19 of the Amalgamations Act after the departure of the Member Credit Institution. The decision is only valid if supported by a two thirds majority of the shareholders. Section 19 of the Amalgamation Act provides that the amount of own assets required for companies within the Amalgamation is set forth in the Credit Institutions Act and calculated in accordance with the CRD IV Regulation. The preservation of solvency must be demonstrated with a calculation verified by the central cooperative’s auditors.

A Member Credit Institution may be expelled from the Union Co-op if it has neglected its duties arising from the membership or in case it has, irrespective of a warning issued by the board of directors, failed to comply with the instructions issued by the Union Co-op by virtue of the Amalgamations Act in a manner that significantly endangers the management of liquidity or capital adequacy or the application of the standardised accounting policies or supervision of compliance with said policies, or in case a Member Credit Institution, otherwise acts in material breach of the Amalgamation’s general operating principles adopted by the Union Co-op. The decision on the expulsion of a Member Credit Institution shall be decided by a general meeting of the Union Co-op. The expulsion decision shall be valid only if supported by at least a two-thirds vote given by those at a cooperative meeting.

The provisions of the Amalgamations Act on the payment liability of a Member Credit Institution also apply to a credit institution which has left the membership of the central cooperative, if the payment claim is made to the credit institution less than five years from the end of the calendar year when the credit institution left the membership.

TAXATION

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Council formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Investors who are in any doubt as to their position should consult their professional advisers.

Finnish Taxation

The comments below are of a general nature based on the Issuer's understanding of current law and practice in Finland. They relate only to the position of person who are the absolute beneficial owners of the Notes and Coupons. They may not apply to certain classes of person such as dealers. Prospective Noteholders who are not resident in Finland for tax purposes and are in any doubt as to their personal tax position or who may be subject to tax in any other jurisdiction should consult their professional advisers. It should be noted that the tax laws of Finland may be amended with retroactive effect.

Taxation of Notes

Under present Finnish domestic tax law payments in respect of the Notes and the Coupons will be exempt from all taxes, duties and fees of whatever nature, imposed or levied by or within the Republic of Finland or by any municipality or other political subdivision or taxing authority thereof or therein, except such taxation the holder of the Note or Coupon to which any such payment relates is subject to thereon by reason of such holder being connected with the Republic of Finland otherwise than solely by the holding of such Note or Coupon or the receipt of income therefrom.

Finnish Capital Gains Taxes

Noteholders who are not resident in Finland for tax purposes and who do not engage in trade or business through a permanent establishment or a fixed place of business in Finland will not be subject to Finnish duties or taxes on gains realised on the sale or redemption of the Notes and Coupons.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary' market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State, or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

FATCA

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme (together, the "**ICSDs**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary / Common Safekeeper, given that each of the entities in the payment chain beginning with the Issuer and ending with the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 8 April 2015 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Final Terms. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers (including whether any of those Dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

Selling Restrictions

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the

Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) *Approved prospectus*: if the Final Terms or Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed that:

(a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:

    (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

    (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

        (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

        (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and

(c) **General compliance**: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

The Republic of Finland

Each Dealer has agreed that it will not publicly offer the Notes or bring the Notes into general circulation in the Republic of Finland other than in compliance with all applicable provisions of the laws of the Republic of Finland and especially in compliance with the Finnish Securities Market Act *(Arvopaperimarkkinalaki* (746/2012, as amended)) and any regulation made thereunder, as supplemented and amended from time to time.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme was authorised by a duly convened meetings of the Board of the Issuer passed/given on 24 February 2015, 18 March 2015, 19 March 2015 and 7 April 2015. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and Arbitration Proceedings

2. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer.

   There are no governmental, legal, arbitration or administrative proceedings (including any such proceedings which are pending or threatened, of which the Union Co-op and/or the Group is aware), which may have, or which have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Union Co-op and/or the Group (and the Union Co-op and/or the Group are not aware of any such proceedings being pending or threatened).

Significant/Material Change

3. There has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Issuer since 31 December 2014.

Auditors

4. The unconsolidated financial statements of the Issuer have been audited without qualification for the years ended 2013 and 2014 by PwC, Authorised Public Accountants, members of the Finnish Institute of Authorised Public Accountants, who have given, and have not withdrawn, their consent to the inclusion of their report in this Base Prospectus in the form and context in which it is included.

5. For the purposes of Paragraph (3)(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005, PwC accepts responsibility for the auditor's report prepared for the purposes of this Base Prospectus for the years 2014 and 2013 and has declared that all reasonable care has been taken to ensure that the information contained in the auditor's report is, to the best of PwC's knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Base Prospectus in compliance with the item 1.2 of Annex IX of the Commission Regulation (EC) 809/2004.

6. The consolidated financial statements of the Group have been audited without qualification for the year ended 2014 by KPMG Oy Ab, Authorised Public Accountants, members of the Finnish Institute of Authorised Public Accountants, who have given, and have not withdrawn, their consent to the inclusion of their report in this Base Prospectus in the form and context in which it is included.

Documents on Display

7. Copies of the following documents in physical form (together with English translations thereof) will be available for inspection at the offices of the Issuer and from the specified office of the Paying Agent in London for 12 months from the date of this Base Prospectus:

   (a) the articles of association and trade register extract of the Issuer;

   (b) the audited and unconsolidated financial statements of the Issuer for the years ended 2013 and 2014;

   (c) the audited consolidated financial statements of the Group for the year ended 2014;

(d) the Agency Agreement;

(e) the Deed of Covenant;

(f) the Dealer Agreement;

(g) the Programme Manual (which contains the forms of the Notes in global and definitive form); and

(h) the Issuer-ICSDs Agreement.

The English versions of documents translated from the Finnish original are direct and accurate translations. In the event of an inconsistency between the original and translation, the Finnish language version will prevail.

Material Contracts

8. The Issuer does not have any material contracts that were not entered into in the ordinary course of the Issuer's business.

9. The Union Co-op does not have any material contracts that are not entered into in the ordinary course of the Union Co-op's business.

Clearing of the Notes

10. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Issue Price and Yield

11. Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Notes or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

Language

12. The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Listing Agent

13. Walkers Listing & Support Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

Contents

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BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JANUARY – 31 DECEMBER 2014

Central Bank of Savings Banks Finland Ltd (hereinafter SB Central Bank) is a depository bank owned by Finnish Savings Banks. SB Central Bank provides the Savings Banks with various central credit institution services, such as those related to payment services, funding of Savings Banks belonging to Savings Bank Group, and in the near future also issuing of payment cards for Saving Banks' customers. SB Central Bank is a member of the Savings Banks Group which is an amalgamation.

During the financial year, the emphasis of SB Central Bank's operation was on planning and taking over of the central credit institution role. The central credit institution services previously provided to the Savings Banks by Aktia Bank Plc were successfully transferred to SB Central Bank in stages during the year, with the largest deployments falling on the latter part of the year. Aktia Bank Plc had carried out the central credit institution functions since 1996.

SB Central Bank converted from the Finnish Accounting Standards ("FAS") to the International Financial Reporting Standards ("IFRS") on 1 January 2014. The transition date to IFRS was 1 January 2013. Transition to IFRS reporting changed the accounting policies and financial statements. Nevertheless, the transition had no significant impact on SB Central Bank's result or balance sheet in the financial year 2014 or in the comparative year 2013. The changes are described in more detail below in the notes to the IFRS Financial Statement.

The result of SB Central Bank for its first financial year as central credit institution showed a profit of EUR 80 thousand, and the balance sheet total was EUR 714 million.

Development in the operating environment

In 2014, uncertainties continued to affect the global economy, but for the investment markets the year turned out to be very positive. There were signs of divergence in the growth prospects of the different continents. Economic growth accelerated significantly in the United States and the employment situation improved, whilst Europe was held back by slow economic growth and a high rate of unemployment.

The low rate of inflation and the slowdown in economic growth in the eurozone made the European Central Bank adopt a more stimulating monetary policy; this contributed to interest rate reductions in Europe. Geopolitical tensions in the eastern border regions of Europe and the subsequent economic sanctions on Russia served to dampen the expectations of an economic recovery in Europe and, more specifically, in Finland. The Finnish economy developed slowly, and the unemployment rate rose during the year.

In 2014, the European Central Bank (ECB) decided to launch a securities purchase program in order to increase the volume of its balance sheet, thereby raising inflation expectations in the euro area. Due to political tensions it is only now that the ECB has taken decisive action to counter the threat of deflation. The concurrent structural problems in the euro zone as well as the inflexibility of the labour markets and the deficit in the public sector have contributed to the slow economic recovery in the euro area. With regard to the markets, too, ECB has acted relatively slowly, and the extent of the measures has not been sufficient. ECB's chances of implementing the published measures are questionable, and as the traditional monetary policy methods are ineffectual, there is a significant risk that the eurozone will be driven into an even more difficult situation.

In 2015, the crucial issues will be the manner in which the liquidity boosting monetary measures announced by the ECB will be put into practice and the effects that this will have on the real economy. Already, interest rates and corporate bond risk margins are very low, and continued reductions in interest rates may have minimal impact on the real economy.

The US Central Bank was quicker than the ECB in launching a stimulating monetary policy and thus boosting the US economy. The growth in GDP in the United States has exceeded expectations and the unemployment rate has fallen to a level last seen before the financial crisis. The US gross domestic product is expected to grow by over three per cent in real terms in 2015.

Finland is hampered by a significant decrease in export demand and by a change in the structure of exports, caused by the sanctions on Russia. Structural reform has progressed slowly and as a consequence Finland's credit rating was lowered in autumn 2014; in addition, labour market development was weaker in Finland in 2014 than in the rest of the euro zone. Furthermore, there is no promise of a quicker recovery in 2015. From a Finnish economic point of view, great significance lies in the measures that the future government will be able to take, in order to stabilize the economy and restore confidence.

The uncertainty concerning the economic trends was not, however, reflected in the stock markets in 2014. In each main market stock prices rose significantly. The monetary accommodation practiced by the central banks maintains liquidity, and interest rate levels will remain low in the future. In addition this will continue to bolster stock and corporate bond markets in the coming year. The positive economic outlook in the United States may also influence export demand in Europe. Compounded with a weakening euro, this may provide a boost for European efforts to turn the economy onto a growth path.

Savings Banks Group

SB Central Bank belongs to the Savings Banks Group, a finance group and an amalgamation formed by the Savings Banks and the Savings Banks Union Coop, which acts as the central institution, and their subsidiaries and associated organizations. The Savings Banks are independent, regional and local banks. The Savings Banks' product and service ranges are augmented by other financial sector services and products provided by product companies in the Savings Banks Group.

The organizations belonging to 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 are jointly liable for each other's commitments and liabilities. The Savings Banks Amalgamation is formed by the Savings Banks Union Coop acting as the Amalgamation's central institution, 25 Savings Banks, Central Bank of Savings Banks Finland Ltd, and the companies belonging to the above consolidation groups. An additional member of the Amalgamation is Sp-Fund Management Company Ltd. SB Central Bank's principal owners are the 25 Savings Banks of the Amalgamation, plus one Savings Bank outside the Amalgamation.

In August 2013, Savings Banks Group announced in public that the Savings Banks were considering tightening their ranks and formalizing their group status. In November 2013, 25 Savings Banks made the decision to join an amalgamation, approve its operational principles and central institution rules, and make the changes necessitated by membership of the amalgamation in the banks' rules or articles. The corresponding decision at SB Central Bank was made in March 2014. The amalgamation's central institution became Savings Banks Union Coop, to which the Financial Supervisory Authority granted a central institution license on 16 October 2014. Operation as an amalgamation began on 31 December 2014.

The central institution is liable for its member credit institutions' debts and liabilities as provided by the Finnish Act on the Amalgamation of Deposit Banks. Under the Act, the central institution is obliged, as a support measure, to disburse to a member credit institution the required sum to prevent the member credit institution from going into liquidation. The central institution is liable for such debts of the member credit institution that cannot be discharged from the member credit institution's funds.

The member credit institutions are obliged, on the grounds set out in the Finnish Act on the Amalgamation of Deposit Banks, to disburse to the central institution their share of the sum which the central institution has disbursed to another member credit institution as a support measure, or to a creditor of another member credit institution as settlement of a matured loan, for which the creditor has not received settlement from its debtor. As a member credit institution, SB Central Bank is in its part obliged to participate in support measures, when necessary, jointly with the other member credit institutions, as provided by the Finnish Act on the Amalgamation of Deposit Banks and the regulations of the central institution.

Under the Finnish Act on the Amalgamation of Deposit Banks, the central institution is obliged to supervise the operation of the member credit institutions and, in order to secure their liquidity and solvency, provide them with guidance on risk management, reliable governance and internal control, as well as directions on following uniform accounting principles when preparing the Amalgamation's consolidated financial statement. The central institution has the right to approve general operational policies for the member credit institutions, to be observed in any of their activities important to the Amalgamation.

Additional information on the reorganization and formation of Savings Banks Group is available in the Savings Banks Group Annual Report, a copy of which is available online at www.saastopankki.fi or the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.

SB Central Bank's business activities

SB Central Bank is responsible for the provision of central credit institution services for the Savings Banks. The focus of SB Central Bank's operation has been on the planning and deploying of the role of a central bank and the separation process of the Savings Banks from Aktia Bank Plc. The tasks have been prepared in close cooperation with the Savings Banks, Aktia Bank, various service providers and other banks operating in Finland.

The transition to providing the central credit institution services took place in stages during the operational year. The management service of fulfilling the minimum reserve requirement of the Savings Banks to the Bank of Finland was launched in May 2014. As the intermediary authorised by the Savings Banks, SB Central Bank takes care of the minimum reserve deposit requirement towards the Bank of Finland. The Savings Banks' payment intermediation was transferred to SB Central Bank starting from 1 November 2014. SB Central Bank mediates the Savings Banks' euro- and foreign currency payments. Since December, SEPA direct debit transactions have also been transmitted by SB Central Bank. Providing support services for Savings Banks of state-subsidized housing loans and other interest subsidy loans began in November 2014. SB Central Bank discontinued the provision of retail banking services during the year 2014.

The transfer of central credit institution services from Aktia Bank was a major project with impacts on the operation of a number of stakeholder groups. The transfer took place particularly well, and the changes for the Savings Banks and their end-customers' services remained slight, as planned. The successful operation was ensured by diligent project work and coordination together with service providers and the other most important stakeholder groups. The progress of the projects was regularly monitored by the SB Central Bank Management Group and Board of Directors.

The payment transaction volumes grew significantly due to the new central credit institution services at the end of the year. There were 3.8 million SEPA payment transactions in December (in 2013 the corresponding number was 0.0). Similarly, with regard to e-invoices, SB Central Bank's own business customers mediated a little over 5 million e-invoices during 2014. In addition, as from 1 November 2014, the Savings Bank customers' e-invoices have also been mediated through SB Central Bank.

The treasury and refinancing operations have been vigorously developed during the operational year. The organization and deployment of the day to day liquidity management for the Savings Banks were implemented in conjunction with the transfer of the payment services. In the Savings Banks Group, SB Central Bank is the entity eligible to ECB financing. The implementation of the treasury system serving the balance sheet and liquidity management for the whole Savings Banks Amalgamation was begun in stages during the year, and this will continue during 2015. Towards the end of the year, the Liquidity Coverage Ratio (LCR) accounts were offered to the Amalgamation banks, through which the banks can manage their future LCR requirements in deposit form. With regard to the refinancing function, the most important development measure was initiation of the preparations for the Euro Medium Term Note (EMTN) programme alongside the rating process.

During the year, SB Central Bank has made preparations for launching payment card issuing services, with the intention of transferring credit and debit card issuing to SB Central Bank during 2015. SB Central Bank was granted Principal Membership status of Visa Europe in 2014.

Financial position

Result

In the reporting period, SB Central Bank made a profit of EUR 80 (-2,979) thousand. The change in the result compared to previous periods was due to the change in SB Central Bank's operations, and the results of the different periods are therefore not directly comparable.

SB Central Bank's main income statement items have developed compared to the two previous years as follows (table figures in EUR millions):

(EUR millions)	12/2014	12/2013	12/2012
Net interest income	0.2	0.1	0.2
Net fee and commission income	0.7	0.9	1.6
Other operating revenue	3.5	0.0	0.0
Total operating revenue	4.4	1.0	1.9
Personnel expences	-1.9	-2.1	-2.4
Other administrative expenses	-1.3	-1.3	-4.2
Depreciation of plant and equipment and intangible assets	-0.2	-0.0	-
Other operating expenses	-0.8	-0.6	-0.5
Net impairment loss on loans	-	0.0	-
Profit before tax	0.1	-3.0	-5.2
Income tax expence	0.0	0.0	-
Profit / Loss	0.1	-3.0	-5.2

SB Central Bank's net interest income was EUR 154 (101) thousand. The interest income amounted to EUR 496 (149) thousand. In 2014, the major part of interest revenue was formed by interest income from receivables from credit institutions and from debt instruments. Interest revenues were decreased due to low interest rates and the negative interest on central bank deposits. The interest expenses were EUR 342 (48) thousand. The interest expenses consisted mostly of the interest paid on debts to credit institutions.

The net revenues from fees and commissions amounted to EUR 718 (869) thousand. Of this, the share of revenues was EUR 903 (936) thousand and that of fee expenses EUR 185 (67) thousand. In 2014, the most important of the fee revenues were those from payment traffic and e-invoice mediation. Due to the commencement of the central credit institution operation, the annual figures are not comparable.

The other business revenues of EUR 3,489 (6) thousand were mostly formed by income received from Savings Banks for the sale of consultancy services related to the development of central credit institution services.

The operating expenses for the reporting period totalled EUR 4,256 (3,930) thousand. The personnel expenses included remuneration costs and pension and other social security expenses. These expenses amounted to EUR 1,915 (2,117) thousand. Other administration expenses totalled EUR 1,279 (1,239) thousand. Other expenses, EUR 1,062 (803) thousand, include depreciations and impairment losses of tangible and intangible assets and other operating expenses. The depreciations totalled EUR 243 (10) thousand. No impairment losses were entered in the financial year 2014.

Balance sheet

The balance sheet of SB Central Bank saw significant growth, standing at EUR 714,067 (56,327) thousand.

The main balance sheet items have developed compared to the two previous years as follows (table figures in EUR millions):

(EUR millions)	12/2014	12/2013	12/2012
Cash and cash equivalents	513.5	27.6	0.2
Loans and advances to credit institutions	141.7	10.0	0.4
Loans and advances to customers	0.3	0.0	-
Investment assets	54.9	18.0	17.0
Property, plant and equipment	0.1	0.1	-
Intangible assets	1.4	0.3	-
Deferred tax assets	0.0	0.0	-
Other assets	2.2	0.3	0.1
Total assets	714.1	56.3	17.7
Liabilities to credit institutions	653.1	42.9	-
Liabilities to customers	0.7	1.7	5.1
Debt securities issued	13.0	-	-
Tax liabilities	0.1	0.1	0.0
Provisions and other liabilities	0.9	0.5	1.6
Share capital	40.0	5.0	5.0
Reserves	19.1	19.1	16.0
Retained earnings	-12.8	-12.8	-10.0
Total equity	46.3	11.2	11.0
Total liabilities and equity	714.1	56.3	17.7

The most important growth factors were mediation of the Savings Banks' minimum reserve deposits and the transfer of payment traffic from Aktia Bank Plc to SB Central Bank. In addition to the cash liquidity reserves, SB Central Bank's assets are mostly invested in central bank debt instruments, totalling EUR 54,872 (17,984) thousand. At the end of the year, loans granted to the Savings Banks totalled EUR 141,697 (10,014) thousand.

At the close of the year, SB Central Bank had no new non-performing or zero-interest receivables, nor any impairment losses on receivables recognised in 2014. Off balance sheet liabilities include irrevocable commitments made to clients, amounting at the end of the reporting period to EUR 5,195 (3) thousand in granted undrawn credit.

Other key performance data:

	12/2014	12/2013	12/2012
Cost/income ratio	1.0	4.1	3.8
Return on equity %	0.2	-26.7	-47.2
Return on capital %	0.0	-8.0	-35.4
Equity ratio %	6.5	19.8	62.1

Shareholdings and equity

SB Central Bank holds 17,391 shares in total, and the Bank's share capital is EUR 39,999,618.60. SB Central Bank holds no own shares.

The equity capital on 31 December 2014 stood at EUR 46,306 (11,162) thousand, and all of it is included as core capital. In June, following a Board decision based on a mandate given to the Board by the Annual General Meeting, SB Central Bank increased its equity capital by means of a share issue directed to the member Savings Banks of the Amalgamation. The issue was for 12,391 new shares, and the share issue increased SB Central Bank's share capital by EUR 34,999,618.60.

Risk management

Objective of risk management

The objective of risk management is to secure the bank's risk-bearing capacity and ensure the continuity of its operation. The risk-bearing capacity comprises adequate and effective risk management proportionate to the scale and demands of the operation, as well as a sufficient degree of liquidity and solvency based on profitable business operations.

Principles and organisation of risk management

Risk management is defined as the identification, assessment, quantification, limitation and monitoring of risks caused by business activities and closely related risks. The purpose of risk management is to reduce the likelihood of unanticipated losses or threats to the subject's reputation and thus ensure the implementation of group strategy. Risk and solvency management are part of internal control. SB Central Bank has a risk management office that is independent of business operations.

In accordance with its strategy, SB Central Bank provides the Savings Banks with various central credit institution services, such as those related to payment transactions, funding for the Amalgamation, and in the future also those related to card issuing. SB Central Bank does not have excessively large client or investment exposures in relation to its financial capacity, and in accordance with its strategy, SB Central Bank will take no such risks. SB Central Bank maintains its capital adequacy at a safe level.

In its operations in 2014, SB Central Bank was exposed to credit, market and operational risks, as well as business and liquidity risks.

Credit risks

Credit risk refers to a situation where a counterparty is unable to fulfil its commitments as agreed. The main source of credit risks is lending, but credit risks (counterparty risk) may also arise from other types of receivables, such as bonds, short-term debt instruments and derivative contracts, as well as off balance-sheet liabilities, such as unused credit arrangements and limits.

The business strategy and guidelines on granting credit approved by the Board set the maximum amounts of exposure and steer the directing of credit in accordance with the strategy to client banks and, to a limited degree, to other strategic partners in the Savings Banks Group.

SB Central Bank's funding, which in 2014 mostly consisted of Savings Banks' deposits or payment transaction and minimum reserve account funds, is principally in the form of cash reserves and granted loans to Amalgamation Savings Banks.

Liquidity risk

Liquidity risk refers to a bank's ability to fulfil its commitments. Liquidity risk may arise from the lack of control and/or predictability of incoming and outgoing cash flows. An uncontrolled rise in the costs of required refinancing may also be defined as liquidity risk. Liquidity risk can be more precisely divided into short-term liquidity risk and long-term financing risk.

Liquidity risk is managed e.g. by maintaining sufficient liquid funds to guarantee liquidity. During 2014, with the significant and rapid changes in the nature of its operation, SB Central Bank has maintained a large liquidity buffer.

During the reporting period 2014, SB Central Bank has obtained the required refinancing mainly as deposits from Savings Banks. SB Central Bank aims to increase the maturity of its refinancing and to increase its funding base according to the needs of the Amalgamation Banks.

Market risk

Market risk refers to the impact of changes in interests and market prices on the bank's income statement and equity. Of the market risks, SB Central Bank was only exposed to interest rate risk in the reporting period 2014, as described below.

Interest rate risk

Interest rate risk is the effect of interest rates on the market value and net interest income of the bank's balance sheet items and off balance-sheet items. Interest rate risk arises from the differences in the interest terms of receivables and liabilities and the differences in interest reset or maturity dates. Due to its balance sheet structure, SB Central Bank did not apply hedging strategies or use derivatives in the financial year 2014.

SB Central Bank applied the present value method to monitor its interest rate risks during the reporting period 2014. In order to manage interest rate risk in the reporting period 2015, SB Central Bank will also implement the income risk approach, which predicts the future net interest income within a selected time scale, as market interest rates change.

Operational risk

Operational risks refer to a danger of loss caused by inadequate or failed internal processes, personnel, systems, or external factors. Judicial risks are also included in operational risks.

SB Central Bank identifies and documents operational risks associated with products, services, functions, processes, and systems. Through the identification of operational risks, the monitoring and control measures are determined. Some of the losses caused by operational risks are covered by insurance. In addition, preparedness for significant operational disruptions is ensured through continuity plans. Regular reports are submitted to SB Central Bank's executive management on operational risks and actual losses, as well as near-miss situations.

Business risk

Business risks reflect the effects on business of uncertainties arising from the business environment. Business risks arise from competition, changes in markets and customer behaviour, and unexpected fluctuations in profit margins. Business risks may also arise from selecting the wrong strategy, inadequate management, or slow reaction to changes in the operational environment. Business risk is managed and minimized through strategy and business plans drawn up by the SB Central Bank Board of Directors. An assessment of business risks is included in the capital management plan approved by the Board.

Internal control

The purpose of internal control at SB Central Bank is to ensure that the goals and targets set at different levels in the bank are reached, while complying with the agreed and established internal control guidelines. Internal control is monitoring by the governing bodies and organization itself, taking place within SB Central Bank, and directed primarily at the state, quality and results of the operation. Internal control is effected by the Board of Directors, CEO, the risk management office, superiors and officials. Moreover, officials are obliged to report deviances and unlawfulness to the higher organization.

Internal audit

The Board of Directors has set up an internal audit office for SB Central Bank, as well as approving an annual audit schedule and reporting principles.

The internal auditors are tasked with assessing the extent and adequacy of the internal controls of SB Central Bank's operational organization and the monitoring and evaluation of the functionality of the risk management systems. The internal audit office reports its findings to the CEO. SB Central Bank's Board of Directors examines the audit summaries prepared by the internal auditors every year.

Capital adequacy management

SB Central Bank has drawn up a capital adequacy management process, the aim of which is to ensure the bank's risk-bearing capacity is sufficient in relation to all the main risks in its operation. To this end, SB Central Bank identifies and comprehensively assesses the risks inherent in its operation and matches its risk-bearing capacity to the total sum of SB Central Bank's exposures. To ensure its capital adequacy, SB Central Bank sets risk-based capital targets and draws up a capital plan in order to reach the targets. An additional aim of the capital adequacy management process is to maintain and develop the risk management procedure.

Equity and capital adequacy

The new European Union Capital Requirements Regulation (CRR) and Directive (CRD IV) were published on 27 June 2013. The new rules came into force on 1 January 2014 and are based on the 2010 recommendations of the Basel Committee on Banking Supervision or the so-called Basel III standards. The new capital adequacy regulation is legislation directly mandatory to the member states, and when it came into force a large part of the Financial Supervisory Authority's standards on capital adequacy calculation was rescinded. The European Banking Authority (EBA) issues standards to clarify the regulation, which are mandatory in common with the regulation.

The capital adequacy of SB Central Bank is expected to fulfil the required 8 per cent minimum level also in the future. As well as the minimum capital adequacy requirement, a fixed capital conservation buffer, which is 2.5 per cent, was adopted from 1 January 2015, as well as a countercyclical capital buffer, which the authorities can set at 0 – 2.5 per cent as required. SB Central Bank has set its internal monitoring minimum capital adequacy at 13.5 per cent, in readiness for any forthcoming additional capital requirement.

The most important risk barometers in SB Central Bank's capital planning are capital adequacy as provided by the Act on Credit Institutions and the risk buffer of EUR three (3) million minimum set for the equity capital over and above the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

In its capital adequacy calculation, SB Central Bank applies the standard method of credit risk calculation and the basic method in calculating operational risk. SB Central Bank has published the relevant information with regard to capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statement. The main capital adequacy information has been published in the Interim Report issued half-yearly.

SB Central Bank's own funds totalled EUR 44,882 (10,915) thousand, while the minimum own fund requirement was EUR 2,463 (1,236) thousand. The Tier 1 capital consisted wholly of Common Equity Tier 1 (CET1) capital, amounting to EUR 44,816 thousand. The capital and reserves consist mostly of common equity tier 1 capital.

The information concerning SB Central Bank's capital adequacy is included in the consolidated financial statement of the Savings Banks Amalgamation. The exemptions referred to in Sections 21 and 21a of the Act on the Amalgamation of Deposit Banks do not apply to SB Central Bank. The Savings Banks Group publishes the so-called Pillar III capital adequacy information in its financial statement. The Savings Banks Group financial statement is available online at www.saastopankki.fi or from the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.

SB Central Bank's capital adequacy ratio was high, standing at 145.55 per cent at the year end. The high capital adequacy figure is due to the minimum capital requirements while the operation is at the launch stage and the nature of the operation.

Statement of capital adequacy

Own funds	2014	2013*
Common Equity Tier 1 before regulatory adjustments	46 305 917.30	10 915 927.10
Share capital	39 999 618.60	5 000 000.00
Retained earnings	-12 837 630.48	-10 012 850.89
Profit (loss) for the period	79 715.22	-3 084 271.16
Regulatory adjustments to Common Equity Tier 1	-1 489 554.13	0.00
Common Equity Tier 1 (CET1) total	44 816 363.17	10 915 927.10
Tier 1 Capital (T1=CET1 + AT1) total	44 816 363.17	10 915 927.10
Tier 2 capital before regulatory adjustments	65 669.12	-636.28
Adjustments to Tier 2 capital	0.00	0.00
Tier 2 Capital (T2) total	65 669.12	-636.28
Own funds (TC = T1 + T2) total	44 882 032.29	10 915 290.82
RISK-WEIGHTED ASSETS		
Credit and counterparty risk	26 288 769.82	13 219 769.68
Items in balance sheet	23 773 943.79	13 218 222.69
Off balance-sheet commitments	2 514 826.03	1 546.99
CREDIT VALUATION ADJUSTMENT		
Market risk	0.00	0.00
Currency risk	0.00	0.00
Operational risk	4 501 373.92	2 224 139.50
Risk-weighted assets total	30 790 143.74	15 443 909.18
Minimum standard of Own funds	2 463 211.50	1 235 512.73
Amount which exceeds minimum standard of Own funds	42 418 820.79	9 679 778.09
Common Equity Tier 1 (CET1) as a percentage of risk-weighted assets	145.55	70.68
Tier 1 Capital (T1) as a percentage of risk-weighted assets	145.55	70.68
Own funds (TC) as a percentage of risk-weighted assets	145.77	70.68

* * Figures are based on Basel II.

Governance and management system of the Bank

The Annual General Meeting of SB Central Bank considers the previous year's financial statement, distribution of the profits, discharges, and selection of Board members. The decisions on SB Central Bank's business and strategic matters are made by the Bank's Board of Directors. Further tasks of the Board include making decisions concerning the main issues related to SB Central Bank's business operations and selecting its CEO. The work of the Board of Directors follows approved guidelines. The CEO of SB Central Bank takes care of its daily management according to the guidelines received from the Board of Directors.

The independence and integrity of the Board members and CEO are ascertained in accordance with the directions issued by the Financial Supervisory Authority. On their selection for the position and annually thereafter, the Board members and CEO are obliged to provide an account of the organizations with which they are involved. In addition, on accepting their position, each Board member and CEO must submit a fitness and propriety report as stipulated by the Financial Supervisory Authority.

SB Central Bank's management and personnel

The Annual General Meeting of SB Central Bank was held on 14 March 2014. The Board's proposal on the distribution of profits was approved. The Meeting also granted a discharge to the Board members and CEO. The Annual General Meeting selected Pirkko Ahonen as new Board member to replace Risto Sundqvist.

The SB Central Bank Board of Directors comprises the following members:

Name	position
Kämäri, Pasi	member, Chairman
Ahohen, Pirkko	member, as from 14 March 2014
Bondén, Hans	member
Hakala, Jussi	member, Deputy Chairman
Huupponen, Juhani	member
Laiho, Immo	member, resigned 10 November 2014
Saustila, Matti	member
Sundqvist, Risto	member, until 14 March 2014

The Board members hold management positions in the financial sector. During the financial year, the Board met thirteen (13) times in all. The SB Central Bank Board has supervised the deployments of new functions as part of the Board's overall supervision.

SB Central Bank's CEO during the financial year has been Hannu Lanteri, and Head of Treasury Kai Brander has acted as his Deputy.

The personnel numbers of SB Central Bank were augmented as the new services demanded, and at the close of the review period, 31 December 2014, SB Central Bank employed twenty (20) persons, all of them full-time.

The company's auditors have been Authorized Public Accountants PricewaterhouseCoopers Oy with Authorized Public Accountant Mikko Nieminen as principal auditor. The Financial Supervisory Authority carried out an inspection of SB Central Bank's operations in the first half of 2014. SB Central Bank's internal auditor has been KPMG Oy Ab.

The related party refers to the key persons holding leading positions at SB Central Bank and their family members. SB Central Bank's related party includes the Board members, CEO and Deputy CEO. The changes during the financial year are related to the changes of Board members and change of the principal auditor. SB Central Bank has granted no related party loans and has no related party business activities.

Remuneration system

SB Central Bank's remuneration system complies with the regulations of the European Union and national legislation, the directions and recommendations issued by the Financial Supervisory Authority, and the rules of the Finnish Corporate Governance Code.

When making decisions concerning the executive management and personnel remuneration system, SB Central Bank observes the provisions of Chapter 8 on governance and steering systems in the Act on Credit Institutions. However, SB Central Bank does not apply the provisions of Chapter 8, Sections 9, 11 and 12 of the Act on Credit Institutions to employees whose variable remuneration for one year's earnings period does not exceed EUR 50,000 or 100 per cent of the employee's total fixed remuneration.

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

The remuneration policies comply with the business strategy, goals and values, as well as providing long-term benefits. The remuneration system is in line with the good and effective risk management of the Bank and is always implemented within the framework of the current risk management policies. The remuneration does not encourage risk-taking in the course of business in excess of the risk level determined by SB Central Bank's risk-bearing capacity or one that is otherwise sustainable.

The conditions and benefits of the CEO's position are approved by the SB Central Bank Board of Directors. The chairman and members of the Board have not been paid monthly fees or fees for each meeting during the operational year. SB Central Bank uses a remuneration system under which the personnel, including the CEO, may be paid a sum equivalent to a maximum of 3 months' salary for reaching set targets. The Bank has no pension schemes or any other similar arrangements.

The overall compensation, forming the basis of the remuneration, is divided into fixed and variable pay elements. The variable pay element comprises both short- and long-term rewards. SB Central Bank has identified the important risk-taking persons, who may affect the bank's risk profile or incur significant financial risks to the Bank through their activities.

The remuneration details in accordance with Pillar III are published in the Savings Banks Group financial statement. The financial statement is available online on the Savings Banks Group website at www.saastopankki.fi or from the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.

Main outsourced functions

SB Central Bank's bank system is outsourced to Oy Samlink AB, in which the Savings Banks have a majority holding. SB Central Bank's bookkeeping and accounts are handled by Paikallispankkien PP-Laskenta Ltd, which is wholly owned by Samlink. In 2014, SB Central Bank's internal audit was outsourced to KPMG Oy Ab based on approved audit schemes. An internal audit of the payment service function was carried out in the latter part of the year. SB Central Bank's internal control is based on internal control guidelines approved by the Board of Directors.

Deposit guarantee

In 2014, SB Central Bank belonged to a deposit guarantee fund, which secures the depositors' receivables from the Bank to the maximum limit of EUR 100 thousand. SB Central Bank's operation focuses on central credit institution services provided to the Savings Banks, therefore the importance of the deposit guarantee fund is slight.

Social responsibility

The social responsibility policy of the Savings Banks Group is set out in its Annual Report. SB Central Bank's social responsibility refers to its responsibility for the impacts of its business activities on surrounding society and the company's stakeholder groups. By acting as the Savings Banks' central credit institution, SB Central Bank in its part supports the social responsibility of the local Savings Banks.

Events after the reporting period

After the end of the financial year, SB Central Bank held an extraordinary General Meeting on 21 January 2015, which decided on changing the form of the company from a limited company to a public limited company. SB Central Bank became a public limited company on 30 January 2015. In addition, SB Central Bank has continued, as scheduled, the production and development functions belonging to the central credit institution role.

Business development in 2015

We estimate that SB Central Bank's operation will expand considerably during 2015 from the current level, and that both the payment and card transactions mediated by the SB Central Bank, as well as the balance sheet, will see significant growth during the operational year. SB Central Bank's treasury functions to the Amalgamation Banks will be substantially expanded. During 2015, SB Central Bank will commence the issuing of the Savings Banks Group's credit and debit cards, as well as acquiring the credit stock attached to the credit cards from Nets Ltd for inclusion in SB Savings Bank's balance sheet. Moreover, SB Savings Bank will plan and implement projects required in support of the Amalgamation Banks' business activities.

The prerequisite of SB Central Bank's strong growth is sufficient investment in resources, risk management and internal controls. With regard to central credit institution functions pertaining to payment mediation, the foreign currency payment service will be reorganized.

The treasury activities will be developed with the core lying in refinancing. The aim is to improve the competitive edge of the Amalgamation Banks by offering them competitive short- and long-term unsecured funding. In order to ensure competitive refinancing, SB Central Bank will apply for an international credit rating together with the central institution of the Amalgamation early in 2015. With the credit rating to be obtained for SB Central Bank, it will issue bonds under the Euro Medium Term Note (EMTN) programme.

Building up the central credit institution services and expanding the treasury activities will continue to affect SB Central Bank's result adversely in 2015. The result for 2015 is forecast to show a slight profit. SB Central Bank has submitted an application to the Tax Administration for setting the previously confirmed losses against tax. On the date of the financial statement, the cumulative losses over several reporting periods total EUR 13,097 thousand.

The Board of Directors' proposal on the disposal of distributable funds

SB Central Bank's distributable funds amount to EUR 6,242,084.74.

The SB Central Bank Board of Directors proposes to the Annual General Meeting that the profit for the financial year of EUR 79,715.22 is entered as accumulated retained earnings with no dividend paid.

Calculation of key figures:

Net interest income: Interest income and commission income-interest expenses

Net fee revenues: Fee revenues-fee expenses

Other income: Other operating income

Cost-income ratio:

$$\frac{\text{Administration expenses + depreciations and impairment losses from tangible and intangible assets + other operating expenses}}{\text{Net interest income + net fee revenues + other operating income}}$$

Return on equity (ROE), %:

$$\frac{\text{Result for financial year}}{\text{Capital and reserves}} * 100$$

Return on assets (ROA), %:

$$\frac{\text{Result for financial year}}{\text{Balance sheet total on average (average of first and second half year)}} * 100$$

Equity ratio, %:

$$\frac{\text{Capital and reserves}}{\text{Balance sheet total}} * 100$$

Capital adequacy ratio, %:

$$\frac{\text{Capital and reserves total}}{\text{Risk-weighted items total}} * 100$$

CENTRAL BANK OF SAVINGS BANKS FINLAND LTD: IFRS FINANCIAL STATEMENT 2014

Statement of profit or loss and other comprehensive income

	Note	01.01.2014-31.12.2014	01.01.2013-31.12.2013
Interest income		495 654.61	148 977.49
Interest expense		-342 042.77	-48 457.77
Net interest income	**6**	**153 611.84**	**100 519.72**
Net fee and commission income	7	717 815.57	869 241.88
Other operating revenue	9	3 488 773.07	6 273.25
Total operating revenue		4 360 200.48	976 034.85
Personnel expenses	10	-1 914 870.75	-2 116 737.32
Other operating expenses	11	-2 098 486.58	-1 803 015.58
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12	-242 925.61	-10 375.18
Total operating expenses		-4 256 282.94	-3 930 128.08
Net impairment loss on financial assets	16	0.00	-10 245.49
Profit before tax		**103 917.54**	**-2 964 338.72**
Income tax expense	13	-24 202.32	-14 786.89
Profit		**79 715.22**	**-2 979 125.61**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Changes in fair value reserve			
Due to fair value measurements	25	64 850.24	-636.28
Total		**64 850.24**	**-636.28**
TOTAL COMPREHENSIVE INCOME		**144 565.46**	**-2 979 761.89**

Statement of financial position

	Note	31.12.2014	31.12.2013	1.1.2013
Assets				
Cash and cash equivalents	15	513 508 949.05	27 573 986.68	184 788.71
Loans and advances to credit institutions	16	141 697 495.56	10 014 160.45	418 150.08
Loans and advances to customers	16	304 827.33	11 906.03	0.00
Investment assets	17	54 871 525.20	17 984 148.66	16 974 173.49
Property, plant and equipment	18	89 101.47	96 371.29	0.00
Intangible assets	19	1 423 885.01	308 053.00	204 432.00
Tax assets	20	363.79	451.44	0.00
Other assets	21	2 170 723.83	338 338.52	119 944.70
Total assets		**714 066 871.24**	**56 327 416.07**	**17 901 488.98**
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	22	653 095 634.21	42 910 207.19	0.00
Liabilities to customers	22	700 316.62	1 724 865.88	5 064 868.54
Debt securities issued	23	12 978 970.13	0.00	0.00
Tax liabilities	20	105 492.48	65 165.26	50 091.13
Provisions and other liabilities	24	880 540.50	465 444.52	1 645 018.40
Total liabilities		**667 760 953.94**	**45 165 682.85**	**6 759 978.07**
Equity				
Share capital		39 999 618.60	5 000 000.00	5 000 000.00
Reserves		19 064 213.96	18 999 363.72	16 000 015.80
Retained earnings		-12 757 915.26	-12 837 630.50	-9 858 504.89
Total equity	25	**46 305 917.30**	**11 161 733.22**	**11 141 510.91**
TOTAL LIABILITIES AND EQUITY		**714 066 871.24**	**56 327 416.07**	**17 901 488.98**

Statement of cash flows

	1-12/2014	1-12/2013
Cash flows from operating activities		
Profit	79 715.23	-2 979 125.61
Adjustments for items without cash flow effect	245 859.02	43 909.40
Change in deferred tax	5 543.31	14 786.89
Income taxes paid	18 659.01	0.00
Cash flows from operating activities before changes in receivables and liabilities	**349 776.57**	**-2 920 429.32**
Increase (-) or decrease (+) in operating assets	**-166 491 862.57**	**-11 274 625.52**
Available-for-sale financial assets	-37 805 544.99	-15 189 304.09
Loans and advances to credit institutions	-127 557 308.81	-10 000 000.00
Loans and advances to customers	-292 921.30	-22 151.52
Increase in held-to-maturity financial assets	0.00	-15 162 482.31
Decrease in held-to-maturity financial assets	996 297.84	29 317 706.22
Other assets	-1 832 385.31	-218 393.82
Increase (-) or decrease (+) in operating liabilities	**622 554 943.87**	**38 390 630.65**
Liabilities to credit institutions	610 185 427.02	42 910 207.19
Liabilities to customers	-1 024 549.26	-3 340 002.66
Debt securities issued	12 978 970.13	0.00
Other liabilities	415 095.98	-1 179 573.88
Total	**456 412 857.87**	**24 195 575.81**
Cash flows from investing activities		
Investments in tangible and intangible assets	-1 351 487.80	-210 367.47
Total	**-1 351 487.80**	**-210 367.47**
Cash flows from financing activities		
Increase in share capital	34 999 618.60	0.00
Other monetary increases in equity items	0.00	3 000 000.00
Total	**34 999 618.60**	**3 000 000.00**
Adjustments for items without cash flow effect		
Impairment losses on financial assets	0.00	10 245.49
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	242 925.61	10 375.18
Other adjustments	2 933.41	23 288.73
Income taxes	24 202.32	14 786.89
Total	**270 061.34**	**58 696.29**

Change in cash and cash equivalents	**490 060 988.67**	**26 985 208.34**
Cash and cash equivalents at the beginning of financial period	**27 588 147.13**	**602 938.79**
Cash and cash equivalents at the end of financial period	**517 649 135.80**	**27 588 147.13**
Cash and cash equivalents comprise the following items:		
Cash	513 508 949.05	27 573 986.68
Receivables from central banks repayable on demand	4 140 186.75	14 160.45
Total cash and cash equivalents	**517 649 135.80**	**27 588 147.13**
Interests received	368 341.17	123 889.58
Interests paid	320 098.34	47 683.52

Statement of changes in equity

	Share capital	Other reserves	Retained earnings	Total equity
Equity 1 January 2013	**5 000 000.00**	**16 000 015.80**	**-9 858 504.89**	**11 141 510.91**
Profit for the year			-2 979 125.61	-2 979 125.61
Other comprehensive income for the year		-636.28		-636.28
Total comprehensive income	0.00	-636.28	-2 979 125.61	-2 979 761.89
Investments made by owners, recognised directly in equity		2 999 984.20	0.00	2 999 984.22
Equity 31 December 2013	**5 000 000.00**	**18 999 363.72**	**-12 837 630.50**	**11 161 733.22**
Equity 1 January 2014	**5 000 000.00**	**18 999 363.72**	**-12 837 630.50**	**11 161 733.22**
Profit for the year			79 715.22	79 715.22
Other comprehensive income for the year		64 850.24		64 850.24
Total comprehensive income	0.00	64 850.24	79 715.22	144 565.46
Investments made by owners, recognised directly in equity	34 999 618.60			34 999 618.62
Equity 31 December 2014	**39 999 618.60**	**19 064 213.96**	**-12 757 915.26**	**46 305 917.30**

Reconciliation statements of Financial Position, Profit or Loss and Cash Flows on transition from Finnish GAAP (FAS) to IFRSs

Reconciliation of Statement of financial position from FAS to IFRS

	Note	FAS 31 December 2012	Recognition and measurement changes	Changes in classification	IFRS 1 January 2013	FAS 31 December 2013	Recognition and measurement changes	Changes in classification	IFRS 31 December 2013
ASSETS									
Cash and cash equivalents		184 788.71			184 788.71	27 573 986.68			27 573 986.68
Loans and advances to credit institutions		418 150.08			418 150.08	10 014 160.45			10 014 160.45
Receivables from the public and public sector entities	a)	0.00			0.00	11 906.03		-11 906.03	0.00
Loans and advances to customers	a)	0.00			0.00	0.00		11 906.03	11 906.03
Debt securities	a)	16 974 173.49		-16 974 173.49	0.00	17 984 148.66		-17 984 148.66	0.00
Investment assets	a)	0.00		16 974 173.49	16 974 173.49	0.00		17 984 148.66	17 984 148.66
Tax assets		0.00			0.00	451.44			451.44
Other assets		119 944.70			119 944.70	338 338.52			338 338.52
Property, plant and equipment		0.00			0.00	96 371.29			96 371.29
Intangible assets	b)	0.00	204 432.00		204 432.00	0.00	308 053.00		308 053.00
Total assets		17 697 056.98	0.00	0.00	17 901 488.98	56 019 363.07	0.00	0.00	56 327 416.07
LIABILITIES AND EQUITY									
Liabilities to credit institutions	a)	0.00			0.00	42 910 207.19		-42 910 207.19	0.00
Liabilities to financial institutions	a)	0.00			0.00	0.00		42 910 207.19	42 910 207.19
Liabilities to the public and public sector entities	a)	5 064 868.54		-5 064 868.54	0.00	1 724 865.88		-1 724 865.88	0.00
Liabilities to customers	a)	0.00		5 064 868.54	5 064 868.54	0.00		1 724 865.88	1 724 865.88
Tax liabilities	c)	5.13	50 086.00		50 091.13	292.37	64 872.89		65 165.26
Provisions and other liabilities		1 645 018.40			1 645 018.40	465 444.52			465 444.52
Total liabilities		6 709 892.07	50 086.00	0.00	6 759 978.07	45 100 809.96	64 872.89	0.00	45 165 682.85
Accumulated appropriations	d)	0.00			0.00	16 311.44	-16 311.44		0.00
Share capital		5 000 000.00			5 000 000.00	5 000 000.00			5 000 000.00
Retained earnings		-10 012 850.89	154 346.00		-9 858 504.89	-13 097 122.05	259 491.55		-12 837 630.50
Reserves		16 000 015.80			16 000 015.80	18 999 363.72			18 999 363.72
Total equity	e)	10 987 164.91	154 346.00	0.00	11 141 510.91	10 902 241.67	259 491.55	0.00	11 161 733.22
Total equity and liabilities		**17 697 056.98**	**204 432.00**	**0.00**	**17 901 488.98**	**56 019 363.07**	**308 053.00**	**0.00**	**56 327 416.07**

Reconciliation of Statement of loss from FAS to IFRS for financial year 1.1.-31.12.2013

	Note	FAS 1.1.–31.12.2013	Recognition and measurement changes	IFRS 1.1.–31.12.2013
Net interest income		100 519.72		100 519.72
Net fee and commission income		869 241.88		869 241.88
Other operating revenue		6 273.25		6 273.25
Total operating revenue		976 034.85		976 034.85
Personnel expenses		-2 116 737.32		-2 116 737.32
Other operating expenses	b)	-1 906 636.58	103 621.00	-1 803 015.58
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-10 375.18		-10 375.18
Total operating expenses		-4 033 749.08		-3 930 128.08
Net impairment loss on financial assets		-10 245.49		-10 245.49
Appropriations	d)	-16 311.44	16 311.44	0.00
Loss before tax		-3 084 271.16	16 311.44	-2 964 338.72
Income tax expense	c)	0.00	-14 786.89	-14 786.89
Loss		-3 084 271.16	1 524.55	-2 979 125.61
Other comprehensive income				
Loss for the financial year				-2 979 125.61
Items that are or may be reclassified to profit or loss				
Available-for-sale financial assets	f)			-652.08
Total comprehensive income				-2 979 777.69

Impact of the transitions to IFRS reporting on SB Central Banks retained earnings

	1 January 2013	31 December 2013
Retained earnings according to FAS	-10 012 850.89	-13 097 122.05
Corrections:		
Reversal of appropriations (incl. deferred tax)	0.00	13 048.80
Intangible assets (incl. deferred tax)	154 346.16	246 442.40
Retained earnings according to IFRS	-9 858 504.73	-12 837 630.85

Reconciliation of Statement of cash flows from FAS to IFRS for financial year 1.1.-31.12.2013

	Note	FAS 1.1.-31.12.2013	Recognition and measurement changes	IFRS 1.1.-31.12.2013
Cash flows from operating activities				
Profit	b), c), d)	-3 084 271.16	105 145.55	-2 979 125.61
Periods corrections	g)	49 975.35	8 720.94	58 696.29
Increase (-) or decrease (+) in operating assets		**-11 274 625.52**		**-11 274 625.52**
Available-for-sale financial assets		-15 189 304.09		-15 189 304.09
Loans and advances to credit institutions		-10 000 000.00		-10 000 000.00
Loans and advances to customers		-22 151.52		-22 151.52
Increase in held-to-maturity financial assets		-15 162 482.31		-15 162 482.31
Decrease in held-to-maturity financial assets		29 317 706.22		29 317 706.22
Other assets		-218 393.82		-218 393.82
Increase (-) or decrease (+) in operating liabilities		38 390 630.65		38 390 630.65
Liabilities to credit institutions		42 910 207.19		42 910 207.19
Liabilities to customers		-3 340 002.66		-3 340 002.66
Other liabilities		-1 179 573.88		-1 179 573.88
Total		24 081 709.32		24 195 575,81
Cash flows from investing activities				
Decrease in investments to shares		0.00		0.00
Investments in tangible and intangible assets	b)	-106 746.47	-103 621.00	-210 367.47
Total		-106 746.47		-210 367.47
Cash flows from financing activities				
Other monetary increases in equity items		3 000 000.00		3 000 000.00
Total		3 000 000.00		3 000 000.00
Change in cash and cash equivalents		**26 985 208.34**		**26 985 208.34**
Cash and cash equivalents at the beginning of financial period		602 938.79		602 938.79
Cash and cash equivalents at the end of financial period		27 588 147.13		27 588 147.13
Cash and cash equivalents comprise the following items:				
Cash		27 573 986.68		27 573 986.68
Receivables from central banks repayable on demand		14 160.45		14 160.45
Total		27 588 147.13		27 588 147.13

Explanation of significant adjustments of transition to IFRSs

a) Reclassifications

On transition to IFRSs, SB Central Bank has reclassified several items within assets and liabilities differently from the FAS financial statement.

b) Intangible assets

SB Central Bank's core banking system is outsourced to Samlink Ltd. The development work carried out by Samlink for the benefit of SB Central Bank and the entire Savings Banks Group is classified as a separately purchased intangible asset (in accordance with IAS 38). Due to these adjustments, the balance sheet value of intangible assets increased by EUR 204,432.00 on 1 January 2013. The additional capitalisations in 2013 resulted in a further increase of EUR 103,621.00 in balance sheet value, making the total effect of the above-mentioned capitalisations on the balance sheet value of intangible assets at 31 December 2013 to increase by EUR 308,053.00. The other operating expenses for the financial year 2013 were reduced by EUR 103,621.00 as the result of the adjustments.

c) Income Taxes (IAS 12)

After adoption of IFRSs SB Central Bank's taxable profits increased and entity has recognised deferred taxes as follows:

Deferred tax liabilities	1 January 2013	31 December 2013
Intangible assets (see item a) above)	50 086.00	61 610.60
Reversal of appropriations (see item d) below)	0.00	3 262.29
Increase in deferred tax liabilities total	50 086.00	64 872.89

Adoption of IFRSs increased income tax expense in the financial year 2013:

	1.1.-31.12.2013
Intangible assets (see item a) above)	11 524.60
Reversal of appropriations (see item d) below)	3 262.29
Increase in Income Tax on earnings total	14 786.89

d) Reversal of appropriations

The depreciation difference was reversed, as IAS 37 does not recognise voluntary provisions.

e) Changes in equity

Adoption of IFRS standards affected SB Central Bank's equity as follows:

	1 January 2013	31 December 2013
Intangible assets (see item a) above)	154 346.16	246 442.40
Reversal of appropriations (see item d) above)	0.00	13 049.15
Changes in equity total	154 346.16	259 491.55

f) Other comprehensive income

IAS 1 provides guidelines on the items in other comprehensive income and as a result a new line item has been added showing gains and losses arising from the measurement of available for sale assets (IAS 39).

g) Adjustments to cash flows at the end of the comparative financial period

Impairment losses (correction of error in presentation under FAS)	10 245.49
Reversal of appropriations (see item d) above)	-16 311.44
Deferred tax from reversal of appropriations and capitalisations of intangible rights (see item c) above)	14 786.89
Adjustments total	8 720.94

ACCOUNTING POLICIES

NOTE 1: INFORMATION ON THE REPORTING COMPANY AND DESCRIPTION OF THE SAVINGS BANKS GROUP

Central Bank of Savings Banks Finland Ltd (hereinafter "SB Central Bank", "company", "entity") is a depository bank owned by Finnish Savings Banks. SB Central Bank's primary function is to provide the Savings Banks with various central credit institution services. The central credit institution services focus on payment services and bolstering the refinancing of the Amalgamation Banks. SB Central Bank's principal owners are the 25 Savings Banks of the Amalgamation, plus one Savings Bank outside the Amalgamation.

SB Central Bank belongs to the Savings Banks Group, which is a finance group formed by the Savings Banks and the Savings Banks Union Coop, which acts as the central institution, and their subsidiaries and associated organizations. The Savings Banks are independent regional and local banks. Combined, the Savings Banks form the fourth largest bank group in Finland, providing a blend of local and national services. The core task of the Savings Banks is to promote thrift and their customers' economic well-being close to the customer.

The organizations belonging to the Amalgamation form a financial entity as defined in the Finnish Act on the Amalgamation of Deposit Banks, in which the Savings Banks Union Coop and its member credit institutions ultimately assume mutual liability for each other's borrowings and commitments. The Savings Banks Amalgamation is formed by the Savings Banks Union Coop acting as the Amalgamation's central institution, 25 Savings Banks, Central Bank of Savings Banks Finland Ltd, and the companies belonging to the above consolidation groups. An additional member of the Amalgamation is Sp-Fund Management Company Ltd.

The structure of the Savings Banks Group differs from that of the Savings Banks Amalgamation so that the Savings Banks Group also includes other institutions than credit and financial institutions or service companies. The most significant of these are Sp-Life Insurance Ltd, Sp-Koti Ltd, Sp-Holding Ltd, and Savings Bank Guarantee Fund. The Savings Banks Group does not constitute a company as defined in the Accounting Act or a consolidation group as defined in the Act on Credit Institutions. The Savings Banks' Union Coop and its member Savings Banks do not have control over each other as referred to in the general consolidation accounting principles and therefore it is not possible to define a parent company for the Savings Banks Group.

The Savings Banks Union Coop operates as the central institution responsible for the group steering and supervision of the whole Savings Banks Group. The Act on the Amalgamation of Deposit Banks stipulates that the central institution of the Savings Banks Amalgamation, the Savings Banks Union Coop, is obliged to prepare a consolidated financial statement for the Savings Banks Group, including also SB Central Bank in proportion with the Amalgamation Banks' shareholdings. The financial statement is prepared on the financial entity formed by the Savings Banks Group, to which SB Central Bank also belongs.

The head office of Central Bank of Savings Banks Finland Ltd is in Espoo, and its registered address is Hevosenkenkä 3, 02600 Espoo, Finland. A copy of SB Central Bank's financial statement is available online from www.spkeskuspankki.fi or from the Bank's offices at Hevosenkenkä 3, 02600 Espoo, Finland.

Similarly, a copy of the financial statement of the Savings Banks Group is available online at www.saastopankki.fi or from the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.

SB Central Bank's Board of Directors has approved the Bank's financial statement 2014 on 11 February 2015, and the financial statement will be presented to the Annual General Meeting of 2015 for approval. The Annual General Meeting has the choice of approving or not approving the financial statement.

The SB Central Bank financial statement is prepared in accordance with the International Financial Reporting Standards ("IFRS"). SB Central Bank converted from the Finnish Accounting Standards ("FAS") to the International Financial Reporting Standards (IFRS) on 1 January 2014. The transition date to IFRSs was 1 January 2013. The financial statement have been prepared in accordance with the IAS and IFRS standards and SIC and IFRIC interpretations that are effective on 31 December 2014. "International Financial Reporting Standards" refers to the standards and interpretations adopted by the EU with Regulation (EC) No. 1606/2012 of the European Parliament and of the Council. Transition to IFRS reporting changed the accounting policies and financial statements. Nevertheless, the transition has no significant impact on SB Central Bank's result or balance sheet in the financial year 2014 or in the comparative year.

NOTE 2: ACCOUNTING POLICIES

1. Overview

SB Central Bank's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

In accordance with the principles of the the Act on the Amalgamation of Deposit Banks and the IAS 8 standard concerning accounting policies, adjustments and errors in accounting estimates, the Board of the Savings Banks Association Cooperative confirms any accounting policy for which no guidance is available in the IFRSs.

SB Central Bank's financial statements are presented in euros, which is the Bank's functional currency.

SB Central Bank's financial statements are prepared under the historical cost convention, except for the available-for-sale financial assets, which are measured at fair value.

The IFRS 10 Standard is not applicable in the preparation of the opening IFRS balance sheets at 1 January 2013 or in the first IFRS financial statement, as SB Central Bank has no significant investments in other companies or agreements that establish control over the investee as defined in IFRS 10. The applicability of IFRS 10 must be continuously assessed when SB Central Bank enters into new investments and/or agreements.

The IFRS 11 Standard is not applicable in the preparation of the opening IFRS balance sheets at 1 January 2013 or in the first IFRS financial statement, as SB Central Bank has no significant investments in other companies or agreements that establish joint control over the investee as defined in IFRS 11. The applicability of IFRS 11 must be continuously assessed when SB Central Bank enters into new investments and/or agreements.

2. Financial instruments

Classification and recognition

In accordance with IAS 39, SB Central Bank's financial assets are classified into three categories for valuation:

- Available-for-sale financial assets
- Held-to-maturity financial investments
- Loans and receivables

SB Central Bank's financial liabilities are classified into following category for valuation:

- Other financial liabilities

Classification in the SB Central Bank's balance sheet is independent of the IAS 39 categories. Different valuation method may therefore apply to assets and liabilities presented on the same line in the balance sheet. Financial assets and liabilities by valuation category is presented in the Note 14.

Purchase and sale of financial instruments is recognised on the trade date.

Upon initial recognition, all financial assets and financial liabilities are recognised at fair value. Transaction costs are included in the acquisition cost for the financial instruments.

Financial assets are derecognised when the contractual rights to the cash flows of the financial item in the financial assets have expired or when the rights have been transferred to a third party so that substantially all risks and rewards have been transferred. Financial liabilities are derecognised when they are extinguished or when obligations is discharged or expired.

Held-to-maturity financial investments

Held-to-maturity financial assets include interest-bearing financial assets with fixed or determinable payments which mature on a specified date and are owned by SB Central Bank and which the Bank is able to and firmly intends to hold to maturity.

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

Loans and receivables

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

Loans and receivables are initially recognised at fair value net of directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortised cost.

Available for sale financial assets

Financial assets that are not classified in the above categories are classified as available for-sale financial assets. Available for-sale financial assets are measured at fair value. However, investments in unquoted equity instruments are carried at acquisition cost or at acquisition cost less provision for impairment. Fair value changes of available for sale financial assets are recognised in other comprehensive income in the fair value reserve within shareholders' equity net of deferred taxes. Gains or losses are reclassified from equity to the income statement within "Net investment income" upon transfer, sale or impairment.

Other financial liabilities

Other financial liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. All financial liabilities are measured at amortised cost.

Determining the fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a financial instrument traded in active markets is based on quoted market prices or, based on company's own valuation techniques if an active market does not exist. A market is considered active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted bid price is used as the current market price of financial assets. If the market has a well-established valuation practice for a financial instrument, for which a quoted market price is not available, the fair value is based on a commonly used model for calculating the market price and the market quotation of inputs used in the valuation model.

If the valuation technique is not well established in the market, a valuation model created for the product in question is used to determine its fair value. Valuation models are based on widely used techniques, incorporating all factors that market participants would consider in setting a price. Used valuation prices consist of market transaction prices, discounted cash flow method and the current a fair value of another substantially similar instrument at the reporting date. The valuation techniques take into account estimated credit risk, applicable discount rates, early repayment option, and other such factors that may impact the fair value of the financial instrument to be determined reliably.

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

- Quoted prices in active markets for identical assets or liabilities (Level 1)
- Fair values that are determined using inputs other than Level 1 quoted prices that are observable for assets or liabilities, either directly (e.g. as prices) or indirectly (e.g. derived from prices) (Level 2)
- Fair values that are determined using input data which is essentially not based on observable market data (Level 3)

The fair value hierarchy level to which an item measured at fair value is classified in its entirety is determined at the lowest level of input information for the whole item. The significance of the input data is evaluated in its entirety in the case of the item which is valued at fair value.

Impairment losses of financial assets

Loans and receivables

The impairment losses of loans and other receivables are recognised on an individual basis.

Impairment losses on loans and other receivables are recognised when objective evidence has occurred that the principal or interest of the loan or receivable won't be received. Evaluation of objective evidence is based on sufficient evaluation of the client's failure of payment. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Estimated future cash flows are discounted using the receivable's original effective interest rate.

Impairment losses on loans and receivables are recognised in the allowance account and netted against loans and receivables. In the income statement the impairment losses are recognised under impairment losses on loans and other receivables. If in a subsequent period appears that the impairment is not permanent it is reversed.

Loans and receivables, whose collection is deemed impossible, are recognised as credit losses. Credit losses are recorded in the allowance account. Non-recoverable loans and receivables are recorded as a permanent credit loss, and the impairment loss is reversed when the normal collection process is completed and the final amount of the individual loan or receivable can be measured.

Held-to-maturity financial investments

If at the balance sheet date there is objective evidence that the carrying amount of a debt instrument classified as held to maturity is decreased, the debt instrument is subjected to an impairment test.

If the impairment assessment provides evidence that a debt instrument is impaired the impairment loss is recognised in the income statement under "Net investment income". The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Estimated future cash flows are discounted using the receivable's original effective interest rate.

Available for sale financial assets

If at the balance sheet date there is objective evidence that the carrying amount of a security classified as available for sale is decreased, the security is subjected to an impairment test. If the impairment assessment provides evidence that the security is impaired, the impairment loss is recognised in the income statement under "Net investment income".

Impairment assessment of a available for sale debt instrument is mainly based on the estimated future cash flows. Reduction in fair value, which is solely due to the increase in risk-free market interest rates, does not give rise to recognise an impairment loss. Instead, an increase in the counterparty's credit risk premium may be an evidence of deteriorated ability to pay.

The impairment loss of debt securities is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The reversal of previously recognised impairment loss is recognised in the income statement.

3. Leases

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

SB Central Bank does not have leased assets under financial lease. Payments made under operating leases are charged to the income statement under other operating expenses on a straight-line basis over the period of the lease. SB Central Bank is the lessee in office premises, printers and laptops, among others.

4. Employee benefits

Employee benefits include short-term employee benefits, termination of employment-related benefits, post-employment benefits and other long-term employee benefits. Short-term employee benefits include salaries and benefits, annual leave and bonuses. Short-term employee benefits are expected to be paid in full within 12 months of the financial year, during which the employees perform the work concerned.

A defined contribution plan is a pension plan under which SB Central Bank pays fixed pension contributions into pension insurance companies, and SB Central Bank has no legal or constructive obligations to pay further contributions if the pension insurance company is not able to pay employees the benefits. The most significant defined contribution plan is the basic insurance (TyEL), as stipulated by the Pensions Act. An independent pension insurance company is responsible for this pension security in SB Central Bank.

5. Intangible assets

An intangible asset is an identifiable asset that has no physical substance. In SB Central Bank, intangible assets include computer software and software licences.

An intangible asset is recognised only when it is probable that economic benefits from the asset are likely to flow to the company and the acquisition cost of the asset can be reliably measured. Future economic benefits may include services or goods, sales revenue, cost savings or other benefits resulting from SB Central Bank exercising the asset.

Intangible assets are initially measured at cost. The cost comprises the purchase price, including all costs that are directly attributable to the asset from acquisition to preparing it to its intended use. The acquisition cost does not include costs attributable to the asset's use, staff training expenses incurred and administrative expenses and other general overheads.

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

An asset is amortised from the date when it is ready for use. An intangible asset that is not yet ready for use is tested annually for impairment.

The estimated useful lives are mainly as follows:

Information systems purchased from external companies	3–5 years
Other intangible assets	2–5 years

Intangible assets are recognised in the "Intangible Assets" line item within the balance sheet. Amortisation and impairment losses are recognised in the income statement under "Depreciation, amortisation and impairment losses on tangible and intangible assets".

6. Property, plant and equipment and investment properties

SB Central Bank's tangible fixed assets comprise machinery and equipment. Depreciation and impairment losses are recognised in the income statement under "Depreciation, amortisation and impairment losses on tangible and intangible assets".

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The acquisition cost includes all costs that are directly attributable to the acquisition of the asset. Assets are depreciated on a straight-line basis over their estimated useful lives. Costs generated after the original acquisition are capitalised in the carrying amount only when it is probable that the asset will generate greater economic benefits than was initially estimated.

The estimated useful lives are mainly as follows:

Machinery and equipment	3–10 years

The residual value and the useful life of an asset is reviewed at each balance sheet date and adjusted to reflect the expected changes in economic benefit.

Gains and losses on retirement and disposal of tangible fixed assets are recognised in income statement and are presented under other operating income and expenses. The capital gain or loss is determined by the difference between the selling price and the remaining acquisition cost.

7. Income taxes

SB Central Bank's income tax for the period comprises current tax, previous years' tax adjustments and changes in deferred taxes. Tax is recognised in income statement except when they relate directly to items recognised directly in equity or in other comprehensive income. In these circumstances the tax is also recognised directly in equity or in other comprehensive income, respectively.

Deferred income tax is recognised on temporary differences between the carrying amount of an asset or liability and its tax base. Deferred tax is determined using tax rates that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax is realised. A change in deferred tax resulting from changing tax rates is recognised in the income statement or other comprehensive income if the tax was recorded there during earlier financial periods.

A deferred tax asset is recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be probable and unused tax credits can be utilised.

8. Revenue recognition

Interest income and expenses

Interest income and expenses are amortised using the effective interest rate method over the contractual period of the loan and receivable or the liability. With this method, the income and expenses of the instrument are amortised in proportion to the remaining carrying amount of the loan and receivable or the liability in the balance sheet.

When a financial asset is impaired, the original effective interest rate is used to calculate the interest income to the carrying amount of the receivable reduced by impairment loss.

Fees and commissions

Fees and commissions income and expense are generally recognised on an accrual basis. Fees and commissions for performing a service are recognised when the related services are performed. Fees relating to services performed over several years are amortised over the service period. Fees that are directly attributable to a financial instrument are treated as part of an effective interest and accounted for as an adjustment to the effective interest of that financial instrument. Fees, relating to financial instruments classified at fair value through profit or loss are expensed in the income statement on initial recognition.

9. New IFRS standards and interpretations

SB Central Bank has not yet adopted the following new and amended standards and interpretations already issued by the IASB. SB Central Bank will apply them on the effective date or after if the effective date is other than the beginning of company's financial year.

Annual Improvements to IFRSs (2011-2013 cycle and 2010-2012 cycle*, December 2013) (effective for financial years beginning on or after 1 July 2014): The annual improvements provides minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant to SB Central Bank.

Annual Improvements to IFRSs, 2012-2014 cycle*) (effective for financial years beginning on or after 1 January 2016): The annual improvements provides minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant to SB Central Bank.

New IFRS 9 Financial Instruments* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SB Central Bank is assessing the impact of IFRS 9.

* = not yet endorsed for use by the European Union as of 31 December 2014.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Significant accounting principles requiring management's judgment and uncertainty factors affecting estimates

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

SB Central Bank's main estimates concern the future and key uncertainties related to balance sheet estimates.

Fair value measurement

The management should consider whether an individual financial instrument is actively traded and whether the market price obtained is a reliable indication of the financial instrument's fair value. In addition, the management must determine when the financial instruments market is not active. The management's judgment is required in cases where the financial instrument's fair value is determined using valuation techniques. If observable inputs are not available in the market for the valuation, the management must assess what other inputs should be used in measuring the fair value. Fair value measurement is discussed in more detail in section "Fair Value Measurement".

Impairment of financial assets

The management must also regularly assess whether there is objective evidence of the impairment of loans and receivables. Impairment testing is performed on a single receivable or a group of receivables. Impairment is based on the management's estimate of future cash flows of the receivable. Recognising objective evidences and evaluation of future cash flows require management's judgment. The impairment principles are explained in more detail in section "Impairment losses on financial assets" in the accounting policies.

Impairment testing of other financial assets not fair valued through profit or loss is carried out at each balance sheet date. Impairment losses are recognised in profit or loss if there is objective evidence. In the case of available for sale equity instruments, impairment is recognised if the impairment is assessed to be significant or prolonged. The management must assess when the impairment is significant or prolonged. More detailed principles for impairment losses of other financial instruments are presented under "Impairment losses of financial assets".

NOTE 4: RISK MANAGEMENT AND GOVERNANCE

Objective of risk management

The objective of risk management is to secure the bank's risk-bearing capacity and ensure the continuity of its operation. The risk-bearing capacity comprises adequate and effective risk management proportionate to the scale and demands of the operation, as well as a sufficient degree of liquidity and solvency based on profitable business operations.

Principles and organization of risk management

Risk management is defined as identification, assessment, quantification, limitation and monitoring of risks arising from business activities and other closely associated risks. The purpose of risk management is to reduce the likelihood of unanticipated losses or threats to the subject's reputation and thus ensure the implementation of group strategy. Risk and solvency management are part of internal control. SB Central Bank has a risk management office that is independent of business operations.

Risk and solvency management create the conditions for risk identification, assessment, quantification, and the limitation of risks at a safe level for SB Central Bank. The capital requirements necessitated by various risk areas and business activities are defined reliably and independently, and the capital is allocated systematically in accordance with current and planned risk-taking and correctly from the point of view of SB Central Bank's liquidity management.

Risk management is part of SB Central Bank's internal control and an integral part of its operational activities. SB Central Bank's risk management strategy is based on its mission and business strategy, risk management guidelines, authority system, and the risk and deviation reporting concerning the principal elements of the business activities, approved by the Board of Directors.

In accordance with its strategy, SB Central Bank provides the Savings Banks with various central credit institution services, such as those related to payment transactions, funding for the Amalgamation, and in the future also those related to card issuing. SB Central Bank does not have excessively large client or investment risk concentrations in relation to its financial bearing capacity, and in accordance with its strategy, SB Central Bank will take no such risks. SB Central Bank maintains its solvency at a safe level.

The Board of Directors is regularly informed on the various risks affecting SB Central Bank and their levels. The Board also approves the authorizations and circumstances of risk-taking by determining the accepted credit risk limits. Within the authority system, the responsibility for daily risk monitoring and control rests with the executive management. The systems and practices intended for risk reporting and monitoring fulfil the criteria set for risk management, taking into account the nature and scope of SB Central Bank's operation.

In its operations in 2014, SB Central Bank was exposed to credit, market and operational risks, as well as business and liquidity risks.

Credit risks

Credit risk refers to a situation where a counterparty is unable to fulfil its commitments as agreed. The main source of credit risks is lending, but credit risks (counterparty risk) may also arise from other types of receivables, such as bonds, short-term debt instruments and derivative contracts, as well as off balance-sheet liabilities, such as unused credit arrangements and limits.

The objective of credit risk management is to limit the impacts on profit and loss or solvency of risks arising from client liabilities at an acceptable level. The business strategy and guidelines on lending approved by the Board set the maximum limits to risk exposures and steer the directing of lending in accordance with the strategy to client banks and in a limited degree to other strategic partners in the Savings Banks Group.

SB Central Bank's funding, which in 2014 mostly consisted of the Savings Banks' deposits or payment transaction and minimum reserve account funds, is principally in the form of cash reserves and granted loans to the Amalgamation Savings Banks.

The decisions on loans granted to the Savings Banks are made at SB Central Bank in accordance with the policies approved by the Savings Banks Union Coop and the Board of SB Central Bank. The decisions to lend to Savings Banks Group's strategic partners are made by the Board of SB Central Bank. During the operational year, SB Central Bank has invested in debt instruments acceptable as security for central bank financing, in accordance with the investment policies approved by the SB Central Bank Board.

SB Central Bank granted credit institution loans only to the Savings Banks that had committed to joining the Amalgamation. The commitment to join the Amalgamation also included joint liability. In 2014, the responsibility for monitoring the Savings Banks' credit risk and solvency rested with the Savings Banks Union and the Savings Banks' audit office operating under its auspices. Due to the joint liability, SB Central Bank has not prepared a separate schedule on the impairments applied to the loans granted to the Savings Banks.

Monitoring of the credit risk of unsecured loans granted to the Savings Banks Group's strategic partners is based partly on the daily monitoring of the credit account usage as part of the reconciliation process. The monitoring system takes into account the fact that the companies are owned by credit institutions operating in Finland, and there is interaction with them at least once a month.

Loans granted to strategic partners are called in according to the agreed terms and conditions. The bank subsequently records an impairment on the called-in loan.

SB Central Bank has no non-credit institution client entities with liabilities exceeding the cap set by the Act on Credit Institutions of 10 per cent of the banks' equity (so-called major exposures). The Board of SB Central Bank made a decision on 13 February 2014 that the maximum client liability for a Savings Bank committed to join the Amalgamation should be 100 per cent of SB Central Bank's equity (CRR Article 395). This limit has not been exceeded. Investigations show that risks in the SB Central Bank's loan portfolio are at a low level in relation to the Bank's annual profit levels and risk-bearing capacity.

Maturity distribution of financial liabilities:

Financial liabilities	2014 under 12 months	1 - 5 years	Total
Liabilities to credit institutions	563 139 960.39	89 624 122.24	652 764 082.63
Liabilities to customers	700 316.62	0.00	700 316.62
Debt securities issued	12 985 336.80	0.00	12 985 336.80
Off balance-sheet commitments	5 195 172.67		5 195 172.67
Total	582 020 786.48	89 624 122.24	671 644 908.72

Financial liabilities	2013 under 12 months	1 - 5 years	Total
Liabilities to credit institutions	42 926 165.37	-	42 926 165.37
Liabilities to customers	1 724 865.88	-	1 724 865.88
Debt securities issued	0.00	-	0.00
Off balance-sheet commitments	3 093.97	-	3 093.97
Total	44 654 125.22	-	44 654 125.22

Liquidity risk

Liquidity risk refers to a bank's ability to fulfil its commitments. Liquidity risk may arise from the lack of control and/or anticipation of incoming and outgoing cash flows. An uncontrolled rise of required refinancing costs may also be defined as liquidity risk. Liquidity risk can be more precisely divided into short-term liquidity risk and long-term financing risk.

Liquidity risk is managed e.g. by maintaining sufficient liquid funds to guarantee liquidity. During 2014, with the significant and rapid changes in the nature of its operation, SB Central Bank has kept a large liquidity buffer. Liquidity risk is monitored at SB Central Bank on a daily basis, and a daily report of the liquidity status of SB Central Bank and the Amalgamation member banks is also provided to the central institution's risk management office. Financial risk is managed by ensuring adequate long-term finance in relation to long-term receivables.

During the reporting period 2014, SB Central Bank has obtained the required refinancing mainly as deposits from its client banks. In accordance with the account terms and conditions, a significant part of the refinancing is spot deposits. SB Central Bank aims to increase the maturity of its refinancing and to increase its funding base according to the needs of the Amalgamation banks. In the future, rating and the EMTN programme to be established will ensure sufficient long-term financing in relation to the loans granted to the Amalgamation banks.

Market risk

Market risk refers to the impact of interests rates and market prices on the bank's income statement and equity. Of the market risks, SB Central Bank was only exposed to interest rate risk in the reporting period 2014, as described below.

Interest rate risk

Interest rate risk is the effect of interest rates on the market value and net interest income of the bank's balance sheet items and off balance-sheet items. Interest rate risk arises from the differences in the interest terms of receivables and liabilities and the differences in interest reset or maturity dates. Due to its balance sheet structure, SB Central Bank did not apply hedging strategies or use derivatives in the financial year 2014.

SB Central Bank applied the present value method to monitor its interest rate risks during the reporting period 2014. At the end of the reporting period 31 December 2014, the fair value change to the SB Central Bank's balance sheet caused by a parallel shift of one percentage point of the interest curve would be EUR 493,000.00. In order to manage interest rate risk in the reporting period 2015, SB Central Bank will also implement the income risk approach, which predicts the future net interest income within a selected time scale, as market interest rates change.

Operational risk

Operational risks refer to a danger of loss caused by inadequate or failed internal processes, personnel, systems, or external factors. Judicial risks are also included in operational risks.

SB Central Bank identifies and documents operational risks associated with products, services, functions, processes, and systems. Through the identification of operational risks, the monitoring and control measures are determined. Some of the losses caused by operational risks are covered by insurance. In addition, preparedness for significant operational disruptions is ensured through continuity plans. Regular reports are submitted to SB Central Bank's executive management on operational risks and actual losses, as well as near-miss situations.

In the reporting period 2014, there were no operational risks resulting in financial losses or impairment of the corporate image. During the year, 18 disruption reports were recorded. Most of the disruptions arose from malfunctioning of data systems and caused manual investigations at SB Central Bank.

NOTE 5: CAPITAL ADEQUACY MANAGEMENT

SB Central Bank has drawn up a capital adequacy management process, the aim of which is to ensure the bank's risk-bearing capacity is sufficient in relation to all the main risks in its operation. To this end, SB Central Bank identifies and comprehensively assesses the risks inherent in its operation and matches its risk-bearing capacity to the total sum of SB Central Bank's exposures. To ensure its capital adequacy, SB Central Bank sets risk-based capital targets and draws up a capital plan in order to reach the targets. One of the aims of the capital adequacy management process is also to maintain and develop the risk management procedure.

In accordance with its strategy, SB Central Bank provides the Savings Banks with various central credit institution services, such as those related to payment transactions, payment card issues, and funding for the Amalgamation. By operating only in this business sector, the Bank is able to maintain its operational risks at a manageable level. SB Central Bank's capital adequacy management is the responsibility of the Bank's Board of Directors, which also sets the operational risk limits. The SB Central Bank Board carries out an annual review of the risks associated with the Bank's capital adequacy, capital plan and set exposure limits.

As part of its capital adequacy management process, SB Central Bank prepares forecasts on items such as profit and loss, growth and solvency. SB Central Bank uses the forecasts in mapping the necessary measures in order to secure the level of capital adequacy required by the business strategy.

Equity and capital adequacy

The new European Union Capital Requirement Directive and Regulation was published on 27 June 2013. The new rules came into force on 1 January 2014 and are based on the 2010 recommendations of the Basel Committee on Banking Supervision, or the so-called Basel III standards. The new capital adequacy regulation is legislation directly mandatory to the member states, and when it came into force, a large part of the Financial Supervisory Authority's standards on capital adequacy calculation was rescinded. The European Banking Authority (EBA) issues standards to clarify the regulation, which are mandatory in common with the regulation.

The Basel III capital adequacy reporting under the new regulation started from the situation on 31 March 2014. With it, the capital requirements of banks are tightened both through the conditions set on capital instruments and additional capital buffers. New requirements are set on liquidity, and a new benchmark, the minimum equity ratio, is adopted in monitoring the debt position.

The capital adequacy of SB Central Bank is expected to fulfil the required 8 per cent minimum level also in the future. As well as the minimum capital adequacy requirement, a fixed additional capital requirement of 2.5 per cent was adopted from 1 January 2015, as well as a variable additional capital requirement, which the authorities can set at 0 - 2.5 per cent as required. SB Central Bank has set its internal monitoring minimum capital adequacy at 13.5 per cent in readiness for any forthcoming additional capital requirement.

The most important risk barometers in SB Central Bank's capital planning are capital adequacy as provided by the Act on Credit Institutions and the risk buffer of EUR three (3) million minimum set for the equity capital over and above the Bank's Internal Capital Adequacy Assessment Process (ICAAP). Various scenario analyses are prepared as part of capital planning. The scenario analyses are used to assess how various exceptionally serious, but possible, situations can impact on SB Central Bank's and the Savings Banks Group's liquidity and SB Central Bank's profitability and capital adequacy. The analysis results show that SB Central Bank's loss-absorption capacity is sufficient and its capital adequacy in the next few years would fulfil the requirements of current legislation, even in the event of a serious recession.

In its capital adequacy calculation, SB Central Bank applies the standard method of credit risk calculation and the basic method in calculating operational risk. SB Central Bank has published the relevant information with regard to capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statement. The main capital adequacy information has been published in the Interim Report issued half-yearly.

SB Central Bank's own funds totalled EUR 44,882 (10,915) thousand, while the minimum own funds requirement was EUR 2,463 (1,236) thousand. The Common Equity Tier 1 (CET1) stood at EUR 44,816 thousand. Tier 1 capital amounted to EUR 44,816 (10,916) thousand. The capital and reserves consist entirely of common equity tier 1 capital, core capital, and SB Central Bank has no equity classified as Tier 2 or other capital.

The information concerning SB Central Bank's capital adequacy is included in the consolidated financial statement of the Savings Banks Amalgamation. The exemptions referred to in Sections 21 and 21a of the Act on the Amalgamation of Deposit Banks do not apply to SB Central Bank.

SB Central Bank's capital adequacy ratio was high, standing at 145.55 per cent at the year end. The high capital adequacy figure is due to the minimum capital requirements while the operation is at the launch stage and the nature of the operation.

The information concerning SB Central Bank's capital adequacy is included in the consolidated financial statement of the Savings Banks Amalgamation. The exemptions referred to in Sections 21 and 21a of the Act on the Amalgamation of Deposit Banks are not applied to SB Central Bank. The Savings Banks Group publishes the so-called Pillar III capital adequacy information in its financial statement. The Savings Banks Group financial statement is available online at www.saastopankki.fi or from the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.

Statement of Capital Adequacy

Own funds	2014	2013*
Common Equity Tier 1 before regulatory adjustments	46 305 917.30	10 915 927.10
Share capital	39 999 618.60	5 000 000.00
Retained earnings	-12 837 630.48	-10 012 850.89
Profit (loss) for the period	79 715.22	-3 084 271.16
Regulatory adjustments to Common Equity Tier 1	-1 489 554.13	0.00
Common Equity Tier 1 (CET1) total	44 816 363.17	10 915 927.10
Tier 1 Capital (T1=CET1 + AT1) total	44 816 363.17	10 915 927.10
Tier 2 capital before regulatory adjustments	65 669.12	-636.28
Adjustments to Tier 2 capital	0.00	0.00
Tier 2 Capital (T2) total	65 669.12	-636.28
Own funds (TC = T1 + T2) total	44 882 032.29	10 915 290.82
Risk-weighted assets		
Credit and counterparty risk	26 288 769.82	13 219 769.68
Items in balance sheet	23 773 943.79	13 218 222.69
Off balance-sheet commitments	2 514 826.03	1 546.99
Credit valuation adjustment		
Market risk	0.00	0.00
Currency risk	0.00	0.00
Operational risk	4 501 373.92	2 224 139.50
Risk-weighted assets total	30 790 143.74	15 443 909.18
Minimum standard of Own funds	2 463 211.50	1 235 512.73
Amount which exceeds minimum standard of Own funds	42 418 820.79	9 679 778.09
Common Equity Tier 1 (CET1) as a percentage of risk-weighted assets	145.55	70.68
Tier 1 Capital (T1) as a percentage of risk-weighted assets	145.55	70.68
Own funds (TC) as a percentage of risk-weighted assets	145.77	70.68

* Figures are based on Basel II

NOTES TO THE INCOME STATEMENT

NOTE 6: NET INTEREST INCOME

Interest income	2014	2013
Debt securities entitling to funding from Central Bank	-12 800.73	-
Receivables from credit institutions	349 777.51	42 333.05
Receivables from customers	1 305.52	1 435.45
Debt securities	157 124.23	105 184.07
Other	248.08	24.92
Total	495 654.61	148 977.49

Interest expense	2014	2013
Liabilities to credit institutions	-304 502.29	-18 813.91
Liabilities to customers	-290.15	-29 615.80
Debt securities issued	-37 167.10	-
Other	-83.23	-28.06
Total	-342 042.77	-48 457.77

Net interest income	153 611.84	100 519.72

NOTE 7: FEES AND COMMISSIONS INCOME AND EXPENSE

	2014	2013
Fee and commission income		
Lending	3 950.00	60.00
Deposits	15.00	107.00
Payment transfers	453 008.87	20 795.00
Other	446 234.58	915 124.00
Total	903 208.45	936 086.00
Fee and commission expense		
Payment transfers	-181 253.82	-16 612.49
Securities	-4 123.06	-305.76
Other	-16.00	-49 926.00
Total	-185 392.88	-66 844.25

NOTE 8: INCOME AND EXPENSES FROM FINANCIAL INSTRUMENTS

	2014	2013
Interest income on:		
- Unimpaired held-to-maturity investments	768.75	59 005.05
- Loans and receivables	351 083.03	43 768.50
- Available-for-sale financial assets	143 554.75	46 179.02
Total interest income arising from financial assets not measured at fair value through profit or loss	495 406.53	148 952.57
Finance income	495 406.53	148 952.57
Financial liabilities measured at amortised cost - interest expense	-253 450.72	-48 438.73
Loans and receivables - interest expence	-88 510.11	-
Finance expenses	-341 960.83	-48 438.73
Net financial expenses recognised in profit or loss	153 445.70	100 513.84

NOTE 9: OTHER OPERATING INCOME

	2014	2013
Other income from Banking*	3 488 773.07	6 273.25
Total	3 488 773.07	6 273.25

* The other income from Banking consists mainly of sales income received from client banks for expertise services related to the deployment and development of central credit institution services. Services have been fully rendered and there is no future income expected.

NOTE 10: PERSONNEL EXPENSES

	2014	2013
Wages and salaries	-1 583 454.66	-1 760 181.67
Pension expenses	-271 410.99	-308 028.65
- Defined contribution plans	-271 410.99	-308 028.65
Other personnel related costs	-60 005.10	-48 527.00
Total	-1 914 870.75	-2 116 737.32

Full-time	20.0	14.0
Part-time	-	1.0
Total	20.0	15.0

Number of employees converted to FTEs	19.50	14.60
Average number of FTEs during the financial year	16.50	21.28

NOTE 11: OTHER OPERATING EXPENSES

	2014	2013
Other administrative expenses	-1 278 773.53	-1 239 496.87
Other personnel expenses	-157 351.53	-123 952.09
Office expenses	-295 043.37	-66 618.11
ICT expenses	-798 170.45	-959 948.35
Telecommunications	-26 658.44	-16 799.32
Representation expenses	-1 240.94	-172.90
Marketing	-308.80	-34 748.91
Other administrative expenses	0.00	-37 257.19
Other operating expenses	-819 713.04	-563 518.71
Rental expenses	-262 383.12	-301 979.25
Expenses arising from owner-occupied property	-13 926.26	-5 208.76
Other operating expenses*	-543 403.66	-256 330.70
Total	-2 098 486.57	-1 803 015.58

***Audit fees**		
Statutory audit	17 360.73	21 029.80
Audit related services	8 997.85	0.00
Other services	372.00	30 029.20
Total	26 730.58	51 059.00

NOTE 12: DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2014	2013
Depreciation and amortisation of machinery and equipment	-19 536.04	-10 375.18
Amortisation of intangible assets	-223 389.57	-
Total depreciation and amortisation	-242 925.61	-10 375.18

NOTE 13: INCOME TAXES

	2014	2013
Current tax	-18 659.01	-
Change in deferred tax liabilities	-5 543.31	-14 786.89
Income taxes	-24 202.32	-14 786.89

Reconciliation of effective tax rate		
Accounting profit before tax	103 917.55	-2 964 338.72
Differences between accounting and taxable profit	-10 622.46	-16 038.96
Taxable profit	93 295.09	-2 980 377.68
Tax using the domestic corporation tax rate	-20 783.51	726 262.99
Tax-exempt income	-	0.09
Tax-exempt income	-4 125.55	-66.81
Unrecognised deductible expenses (educationdeduction)	706.74	-
Recognition of previously unrecognised tax losses	-	-726 196.10
Transfer to distributable funds	-	-25 387.15
Effect of tax rate change on deferred tax balances (year 2013)	-	10 600.09
Tax expense	-24 202.32	-14 786.90

NOTES TO THE ASSETS

NOTE 14: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

2014	Loans and other receivables	Available-for-sale	Total
Cash and cash equivalents	513 508 949.05	-	513 508 949.05
Loans and advances to credit institutions	141 697 495.56	-	141 697 495.56
Loans and advances to customers	304 827.33	-	304 827.33
Investment assets	-	54 871 525.20	54 871 525.20
Total assets	655 511 271.94	54 871 525.20	710 382 797.14

2014	Other financial liabilities	Total
Liabilities to credit institutions	653 095 634.21	653 095 634.21
Liabilities to customers	700 316.62	700 316.62
Debt securities issued	12 978 970.13	12 978 970.13
Total liabilities	666 774 920.96	666 774 920.96

2013	Loans and other receivables	Available-for-sale	Held-to-maturity	Total
Cash and cash equivalents	27 573 986.68	-	-	27 573 986.68
Loans and advances to credit institutions	10 014 160.45	-	-	10 014 160.45
Loans and advances to customers	11 906.03	-	-	11 906.03
Investment assets	-	16 984 917.41	999 231.25	17 984 148.66
Total assets	37 600 053.16	16 984 917.41	999 231.25	55 584 201.82

2013	Other financial liabilities	Total
Liabilities to credit institutions	42 910 207.19	42 910 207.19
Liabilities to customers	1 724 865.88	1 724 865.88
Total liabilities	44 635 073.07	44 635 073.07

NOTE 15: CASH AND CASH EQUIVALENTS

	2014	2013
Receivables from central banks repayable on demand	513 508 949.05	27 573 986.68
Total	513 508 949.05	27 573 986.68

Cash and cash equivalents are specified in the cash flow statement.

NOTE 16: LOANS AND RECEIVABLES

	2014	2013
Loans and receivables from customers		
By product		
Account credits in use*	304 827.33	11 906.03
Total	304 827.33	11 906.03
Loans and advances to credit institutions		
Deposits	16 140 186.75	10 014 160.45
Loans and other receivables**	125 557 308.81	-
Total	141 697 495.56	10 014 160.45

* Credit rating A or better

** EUR 125,557,308.81 granted to banks within the Savings Banks Amalgamation based on the Act on Amalgamations.

Impairment losses on loans and other receivables

2014	Measured by individual contract
Impairments 1 January 2014	10 245.49
Impairments 31 December 2014	10 245.49

2013	Measured by individual contract
Impairments 1 January 2013 + increase in impairment losses	10 245.49
Impairments 31 December 2013	10 245.49

Changes in the carrying amount of impaired financial assets

	2014	2013
Impaired financial assets 1 January	10 245.49	-
Classified as impaired during the year	-	10 245.49
Impaired financial assets 31 December	10 245.49	10 245.49

NOTE 17: INVESTMENT ASSETS

	2014	2013
Available-for-sale financial assets		
Debt securities*	54 871 525.20	16 984 917.41
Total	54 871 525.20	16 984 917.41
Held-to-maturity investments		
Debt securities	0.00	999 231.25
Total	0.00	999 231.25
Total investment assets	54 871 525.20	17 984 148.66

* Credit ratings for year 2014:
- AAA: EUR 40,750,950.00
- not credit rated: EUR 14,120,575.20

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

2014	Available-for-sale Debt securities	
	At fair value	Total
Quoted		
From public entities	40 750 950.00	40 750 950.00
Other		
From others	14 120 575.20	14 120 575.20
Total	54 871 525.20	54 871 525.20

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

2013	Available-for-sale Debt securities		Held-to-maturity investments	
	At fair value	Total	At amortised cost	Total
Other				
From Others	16 984 917.41	16 984 917.41	999 231.25	17 984 148.66
Total	16 984 917.41	16 984 917.41	999 231.25	17 984 148.66

NOTE 18: PROPERTY, PLANT AND EQUIPMENT

	2014	2013
Machinery and equipment	89 101.47	96 371.29
Total plant and equipment	89 101.47	96 371.29

2014	Machinery and equipment	Total
Changes in plant and equipment		
Acquisition cost 1 January	106 746.47	106 746.47
Increases	12 266.22	12 266.22
Acquisition cost 31 December	119 012.69	119 012.69
Accumulated depreciation and impairments 1 January	-10 375.18	-10 375.18
Depreciation for the financial year	-19 536.04	-19 536.04
Accumulated depreciation and impairments 31 December	-29 911.22	-29 911.22
Carrying amount 31 December	89 101.47	89 101.47

2013	Machinery and equipment	Total
Changes in plant and equipment		
Acquisition cost 1 January	-	-
Increases	106 746.47	106 746.47
Acquisition cost 31 December	106 746.47	106 746.47
Accumulated depreciation and impairments 1 January	0.00	0.00
Depreciation for the financial year	-10 375.18	-10 375.18
Accumulated depreciation and impairments 31 December	-10 375.18	-10 375.18
Carrying amount 31 December	96 371.29	96 371.29

NOTE 19: INTANGIBLE ASSETS

	2014	2013
Intangible rights	1 322 436.51	308 053.00
Intangible assets under development	101 448.50	-
Total	1 423 885.01	308 053.00

In 2013 project Next initiated for improving the banking system was recognised in intangible asset. The amortisations have not yet begun. In 2014 costs of EUR 1,116 tousand relating to development project of central credit institution service were recognised in intangible assets.

Amortisations have begun for implemented project relating to central credit institution service development.In 2014 entity has recognised the treasury system development as work in process.

2014 Changes in intangible assets	Intangible rights	Intangible assets under development	Total
Acquisition cost 1 January	308 053.00	0.00	308 053.00
Increases	1 237 773.08	101 448.50	1 339 221.58
Acquisition cost 31 December	1 545 826.08	101 448.50	1 647 274.58
Accumulated depreciation and impairments 1 January	0.00	0.00	0.00
Amortisations for the financial year	-223 389.57	0.00	-223 389.57
Accumulated amortisation and impairments 31 December	-223 389.57	0.00	-223 389.57
Carrying amount 31 December	1 322 436.51	101 448.50	1 423 885.01

2013 Changes in intangible assets	Intangible rights	Total
Acquisition cost 1 January	204 432.00	204 432.00
Increases	103 621.00	103 621.00
Acquisition cost 31 December	308 053.00	308 053.00
Accumulated amortisation and impairments 1 January	0.00	0.00
Accumulated amortisation and impairments 31 December	-	-
Carrying amount 31 December	308 053.00	308 053.00

NOTE 20: INCOME TAX ASSETS AND LIABILITIES

Deferred tax assets	Investment assets
Deferred tax assets 1 January 2013	-
Other comprehensive income	451.44
Deferred tax assets 31 December 2013	**451.44**
Other comprehensive income	-87.65
Deferred tax assets 31 December 2014	**363.79**

SB Central Bank has applied for exception permission for deduction of losses accumulated during years 2009-2013. Permission has not yet been admitted so deferred tax asset has not been booked.

Tax years for the losses:	
Tax year 2009	544 879.63
Tax year 2010	1 019 066.31
Tax year 2011	3 210 785.25
Tax year 2012	5 234 882.41
Tax year 2013	3 083 998.81
Total	13 093 612.41

Deferred tax liabilities	Investment assets	Intangible assets	Other	Total
Deferred tax liabilities 1 Januari 2013	**5.13**	**50 086.00**		**50 091.13**
Income statement		11 524.60	3 262.29	14 786.89
Other comprehensive income	287.22			287.22
Deferred tax liabilities 31 December 2013	**292.35**	**61 610.60**	**3 262.29**	**65 165.24**
Income statement			5 543.30	5 543.30
Other comprehensive income	16 124.91	-	-	16 124.91
Deferred tax liabilities 31 December 2014	**16 417.26**	**61 610.60**	**8 805.59**	**86 833.45**

Corporate tax liabilities	
Corporate tax liabilities 1 Januari 2014	**0.00**
Based on profit of the current year	18 659.01
Corporate tax liabilities 31 December 2014	**18 659.01**

NOTE 21: OTHER ASSETS

	2014	2013
Payment transfer receivables	1 562.26	-
Accrued income and prepaid expenses	2 069 428.88	234 971.30
Interest	889 083.69	25 087.91
Other accrued income and prepaid expenses	1 180 345.19	209 883.39
Other	99 732.69	103 367.22
Total	2 170 723.83	338 338.52

NOTES RELATING TO LIABILITIES AND EQUITY

NOTE 22: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

	2014	2013
Liabilities to credit institutions		
Liabilities to central banks	90 000 000.00	-
Liabilities to credit institutions	563 095 634.21	42 910 207.19
Total	653 095 634.21	42 910 207.19
Liabilities to customers		
Deposits	700 316.62	1 724 865.88
Total	700 316.62	1 724 865.88
Total liabilities to credit institutions and customers	**653 795 950.83**	**44 635 073.07**

NOTE 23: ISSUED DEBT INSTRUMENTS

	2014	2013
Other		
Certificates of deposit	12 978 970.13	-
Total	12 978 970.13	0.00

NOTE 24: OTHER LIABILITIES

	2014	2013
Other liabilities	169 788.03	71 253.44
Accrued expenses	710 752.47	394 191.08
Total	880 540.50	465 444.52

SB Central Bank has not booked any provisions.

NOTE 25: CAPITAL AND RESERVES

	2014	2013
Share capital	39 999 618.60	5 000 000.00
Reserves		
Reserve for invested non-restricted equity	19 000 000.00	19 000 000.00
Fair value reserve	64 213.96	-636.28
Retained earnings		
Profit (loss) for previous financial years	-12 837 630.49	-9 858 504.89
Profit (loss) for the period	79 715.23	-2 979 125.61
Total capital and reserves	46 305 917.30	11 161 733.22

Share capital

This item includes the paid share capital, cooperative capital and basic capital. If share capital is wholly or partly not entered in trade register, the unregistered amount must be presented in the balance sheet separately as a sub-item of this item.

SB Central Bank has in total 17.391 shares without nominal value.

Reserve for invested non-restricted equity

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

Fair value reserve

Fair value reserve includes items arising from fair value measurements and translation differences.

Retained earnings

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

Specification of changes in fair value reserve	2014	2013
Fair value reserve 1 January	-795.35	20.93
Profit/loss from fair value measurements, shares and participations	81 062.80	-1 199.86
Deferred tax from fair value measurements	-16 053.49	159.07
Reclassified to income statement	0.00	383.58
Fair value reserve 31 December	64 213.96	-636.28

SB Central Bank's distributable funds amount to EUR 6,242,084.74. The SB Central Bank Board of Directors proposes to the Annual General Meeting that the profit for the financial year of EUR 79,715.22 is entered as accumulated retained earnings with no dividend paid.

OTHER NOTES

NOTE 26: COLLATERAL GIVEN AND HELD

Given on behalf of own liabilities and commitments	2014	2013
Debt securities	95 271 931.25	-
Total collateral given	95 271 931.25	-
Debt securities	67 099 641.25	-
Other	38 150 000.00	-
Total collateralised loans	105 249 641.25	-

Collateral given and held are related to participation of ECB:s funding operation and to deposits required for ECB TARGET2-account.

NOTE 27: OFF BALANCE-SHEET COMMITMENTS

	2014	2013
Loan commitments	5 195 172.67	3 093.97
Total	5 195 172.67	3 093.97

NOTE 28: FAIR VALUES BY VALUATION TECHNIQUE

Financial assets	Fair value		
2014	Level 1	Level 2	Total
Measured at fair value			
Available-for-sale financial assets	51 338 575.20	3 532 950.00	54 871 525.20
Measured at amortised cost			
Loans and other receivables	-	655 788 292.37	655 788 292.37
Total financial assets	51 338 575.20	659 321 242.37	710 659 817.57

Financial assets	Booking value		
2014	Level 1	Level 2	Total
Measured at fair value			
Available-for-sale financial assets	51 338 575.20	3 532 950.00	54 871 525.20
Measured at amortised cost			
Loans and other receivables		655 511 271.90	655 511 271.90
Total financial assets	51 338 575.20	659 044 221.94	710 382 797.14

Financial liabilities	Fair value		
2014	Level 1	Level 2	Total
Measured at amortised cost			
Other financial liabilities	-	666 449 736.05	666 449 736.05
Total financial liabilities	-	666 449 736.05	666 449 736.05

Financial liabilities	Booking value		
2014	Level 1	Level 2	Total
Measured at amortised cost			
Other financial liabilities	-	666 774 920.96	666 774 920.96
Total financial liabilities	-	666 774 920.96	666 774 920.96

Assessment of fair value

Financial instruments are carried in the Group's balance sheet at fair value or at amortised cost. The accounting policies (Note 2) describe the classification of financial assets and liabilities according to their valuation method, together with the criteria for the valuation techniques and fair value measurement.

The fair values of financial instruments are primarily determined by using publicly quoted prices or from market prices obtained from third parties. If no market quotation is available, the balance sheet items have mostly been measured by discounting future cash flows using the market interest rates on the reporting date. In the case of cash assets, the nominal value equals the fair value. Similarly, in the case of deposits repayable on demand the nominal value is deemed to correspond to fair value.

Fair value hierarchies

Level 1 contains financial assets whose fair value is determined by quotations obtainable from active markets. A market is considered to be active, if the prices are readily and regularly available. Level 1 includes quoted bonds, other securities, stocks and derivatives with quoted prices.

Level 2 includes financial assets that are not traded in an active market, and whose fair value is determined by using valuation techniques or models. These are based on assumptions supported by observable market data, such as the quoted interest rates or prices of similar instruments. This group includes e.g. currency and interest rate derivatives, commercial papers and deposit certificates.

SB Central Bank has no financial assets in Level 3.

Transfers between levels

SB Central Bank has made no transfers between the levels during 2013 and 2014.

SB Central Bank has no non-recurring fair value measurements of assets.

Financial assets	Fair value		
2013	Level 1	Level 2	Total
Measured at fair value			
Available-for-sale financial assets	16 984 917.41	-	16 984 917.41
Measured at amortised cost			
Investments held-to-maturity	-	999 231.25	999 231.25
Loans and other receivables	-	37 633 361.76	37 633 361.76
Total financial assets	16 984 917.41	38 632 593.01	55 617 510.42

Financial assets	Booking value		
2013	Level 1	Level 2	Total
Measured at fair value			
Available-for-sale financial assets	16 984 917.41	-	16 984 917.41
Measured at amortised cost			
Investments held-to-maturity	-	999 231.25	999 231.25
Loans and other receivables	-	37 600 053.00	37 600 053.00
Total financial assets	16 984 917.41	38 599 284.25	55 584 201.66

Financial liabilities	Fair value		
2013	Level 1	Level 2	Total
Measured at amortised cost			
Other financial liabilities	-	44 651 031.37	44 651 031.37
Total financial liabilities	-	44 651 031.37	44 651 031.37

Financial liabilities	Booking value		
2013	Level 1	Level 2	Total
Measured at amortised cost			
Other financial liabilities	-	44 635 073.00	44 635 073.00
Total financial liabilities	-	44 635 073.00	44 635 073.00

NOTE 29: OPERATING LEASES

Sb Central Bank acts as a lessee of office space.

	2014	2013
Future minimum lease payments under non-cancellable operating leases payable		
Less than one year	254 686.72	20 265.01
Between one and five years	407 296.92	833 476.29
Total	661 983.64	853 741.30

NOTE 30: RELATED PARTIES

The related party refers to the key persons holding leading positions at SB Central Bank and their family members. SB Central Bank's related party includes the Board members, CEO and Deputy CEO. The changes during the financial year are related to the changes of Board members and change of the principal auditor.

SB Central Bank has granted no related party loans and has no related party business activities.

Key management personnel compensation	2014	2013
Short-term employee benefits	350 721.00	414 316.66
Total	350 721.00	414 316.66

NOTE 31: EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, SB Central Bank held an extraordinary General Meeting on 21 January 2015, which decided on changing the form of the company from a limited company to a public limited company. SB Central Bank became a public limited company on 30 January 2015. In addition, SB Central Bank has continued, as scheduled, the production and development functions belonging to the central credit institution role.

PILLAR III DISCLOSURES

SB Central Bank is a member of the Savings Banks Amalgamation. The information concerning SB Central Bank's capital adequacy is included in the consolidated financial statement of the Savings Banks Amalgamation. The exemptions referred to in Sections 21 and 21a of the Act on the Amalgamation of Deposit Banks do not apply to SB Central Bank. A copy of the financial statement of the Savings Banks Amalgamation is available online at www.saastopankki.fi or from the Savings Banks Union Coop offices at Linnoitustie 9, 02600 Espoo, Finland.

The original Annual Report is in Finnish. This is an English version thereof.

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Auditor's Report on the Financial Statements of Central Bank of Savings Banks Finland plc (formerly Central Bank of Savings Banks Finland Ltd) for the years ended 31 December 2014 and 2013

To the Board of Directors of Central Bank of Savings Banks Finland plc

We have audited the accompanying financial statements of Central Bank of Savings Banks plc, which comprise the statement of financial position as at 31 December 2014 and 31 December 2013, statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and notes to the financial statements. Our report has been prepared for the purpose of including it in the Base Prospectus.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Central Bank of Savings Banks Finland plc as at 31 December 2014 and 31 December 2013 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

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Phone +358 20 787 7000, www.pwc.fi
Reg. Domicile Helsinki, Business ID 0486406-8

Report on Other Legal and Regulatory Requirements

Declaration

For the purposes of Paragraph (3)(2)(f) of Schedule 1 of the Prospectus (Directive 2003/71/EC) Regulations 2005, we are responsible for this report as part of the Base Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Base Prospectus in compliance with the item 1.2 of Annex IX of the Commission Regulation (EC) 809/2004.

Helsinki, 7 April 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

SAVINGS BANKS GROUP'S REPORT OF BOARD OF DIRECTORS AND CONSOLIDATED IFRS FINANCIAL ACCOUNTS 31 DECEMBER 2014

SAVINGS BANKS GROUP'S REPORT OF BOARD OF DIRECTORS AND CONSOLIDATED IFRS FINANCIAL ACCOUNTS 31 DECEMBER 2014

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BOARD OF DIRECTORS' REPORT

Amalgamation of Savings Banks and the Savings Banks Group

The Savings Banks Group (hereafter Group) is the most long-standing banking group in Finland. It comprises 25 Savings Banks, the subsidiaries and associated companies owned by Savings Banks and the Savings Banks Union Coop, which acts as the central institution. More detailed information on the organizations included in the Group's financial statements is given under the heading Description of Savings Banks Group.

As early as the beginning of 2013, the Group had launched initial measures to accommodate the challenges brought on by the more stringent regulation of the financial sector. The preparations moved to a more practical footing in January 2013 when Aktia Bank plc announced that it would cease to provide the Savings Banks with central credit institution services in February 2015, thus ending a partnership which had lasted over 20 years.

In spring 2013, the Group made the decision to become a more influential actor in the financial markets. Savings Banks demonstrated a strong will to continue with the customer-oriented strategy founded on the existing savings bank ideal and to safeguard the competitive advantage and operating prerequisites of the Group.

In August 2013, the Group made it publicly known that Savings Banks will make their group status official. Having studied the various options, the Savings Banks established that amalgamation legislation offered an appropriate model for reforming the Group.

At the end of September 2013 the board of directors of the Savings Banks Union Coop approved the bylaws and operating principles of the Amalgamation (hereafter Amalgamation). In November 2013, 25 Savings Banks issued decisions to join the Amalgamation and approve the Amalgamation's operating principles and the bylaws of the central institution. Each bank also decided to amend its bylaws or Articles of Association as a requirement for joining the Amalgamation. The member organizations 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.

An extraordinary meeting of the Savings Banks Union Coop's board of directors, held on 23 January 2014, made the decision to form the Amalgamation and make the Savings Banks Union Coop its central institution. At the same time it was decided to make the Savings Banks Union into a cooperative. The bylaws of the cooperative were approved and the governing bodies elected. The conversion to cooperative was registered on 30 April 2014.

On 9 May 2014, the Savings Banks Union Coop filed an application with the Finnish Financial Supervisory Authority for a license for the central institution. The license was granted by the Finnish Financial Supervisory Authority on 16 October 2014. Under the license the Savings Banks Union Coop would have the authority to act as the central institution of the future Amalgamation.

The Amalgamation commenced operation on 31 December 2014, making 2015 the first operating year of the Amalgamation. During 2015, the Group will continue to build on its competitive advantage.

Development in the operating environment

In 2014, uncertainties continued to affect the global economy, but for the investment markets the year turned out to be very positive. There were signs of divergence in the growth prospects of the different continents. Economic growth accelerated significantly in the United States and the employment situation improved, whilst Europe was held back by slow economic growth and a high rate of unemployment. The Finnish housing market was affected by structural change.

The low rate of inflation and the slowdown in economic growth in the euro zone made the European Central Bank adopt a more stimulating monetary policy; this contributed to interest rate reductions in Europe. Geopolitical tensions in the eastern border regions of Europe and the subsequent economic sanctions on Russia served to dampen the expectations of an economic recovery in Europe and, more specifically, in Finland. The Finnish economy developed slowly, and the unemployment rate rose during the year.

In 2014, the European Central Bank (ECB) decided to launch a securities purchase programme in order to increase the volume of its balance sheet, thereby raising inflation expectations in the euro area. Due to political tensions it is only now that the ECB has taken decisive action to counter the threat of deflation. The concurrent structural problems in the euro zone as well as the inflexibility of the labour markets and the deficit in the public sector have contributed to the slow economic recovery in the euro area.

In 2015, the crucial issues will be the manner in which the liquidity boosting monetary measures announced by the ECB will be put into practice and the effects that this will have on the real economy. Already, interest rates and corporate bond risk margins are very low, and continued reductions in interest rates may have minimal impact on the real economy.

The US Central Bank was quicker than the ECB in launching a stimulating monetary policy and thus boosting the US economy. The growth in GDP in the United States has exceeded expectations and the unemployment rate has fallen to a level last seen before the financial crisis. The US gross domestic product is expected to grow by over three per cent in real terms in 2015.

Finland is hampered by a significant decrease in export demand and by a change in the structure of exports, caused by the sanctions on Russia. Structural reform has progressed slowly and as a consequence Finland's credit rating was lowered in autumn 2014; in addition, labour market development was weaker in Finland in 2014 than in the rest of the euro zone. Furthermore, there is no promise of a quicker recovery in 2015. From a Finnish economic point of view, great significance lies in the measures that the future government will be able to take, in order to stabilize the economy and restore confidence.

The uncertainty concerning the economic trends was not, however, reflected in the stock markets in 2014. In each main market stock prices rose significantly. The monetary accommodation practiced by the central banks maintains liquidity, and interest rate levels will remain low in the future. In addition this will continue to bolster stock and corporate bond markets in the coming year. The positive economic outlook in the United States may also influence export demand in Europe. Compounded with a weakening euro, this may provide a boost for European efforts to turn the economy onto a growth path.

The Finnish housing market has been undergoing structural change over the last two years. Approximately 7 - 8% fewer housing transactions were completed in 2014 than in the previous year. Demand remains high in the core areas of growth centers, but however there has been a fundamental change in demand in outer areas of cities. Prices have fallen by a couple of per cent throughout the country. The fall has been greatest in areas experiencing structural change, whilst growth centers have maintained their price levels relatively well. Larger housing units and detached homes, in particular, have seen a decline in demand. The numbers of first-time buyers have decreased significantly in 2014. Chain reactions in sales and purchases have been common in 2014. Other factors contributing to the slowdown in the housing market include loss of confidence among consumers that their financial situation will improve along with the general employment situation.

Group's profit and balance sheet

The Group is obliged and entitled to prepare official consolidated IFRS financial statements as from 31 December 2014, which is the date of commencement of the operation of the Amalgamation. The date also acts as the closing date for the Group's financial year.

The first official financial statements of the Group contain the balance sheet and notes to the balance sheet, the accounting policy and other notes. As an addendum to the official financial statements additional financial information on the Group is supplied from the time preceding the Amalgamation. The additional financial data comprises the consolidated financial statements of the Group for the entire financial year 1.1.-31.12.2014 as well as for the whole comparison accounting period of 1.1.-31.12.2013. The additional financial information is formed by consolidating the audited and approved financial statements of Group's member companies. The objective of this additional financial information is to give the credit rating agencies, investors and other interest groups an accurate and comprehensive understanding of the Group's financial position and the formation of the result. The balance sheet included in the official financial statements of 31 December 2014 and the balance sheet in the form of additional financial data dated 31 December 2014 are identical in content. The data contained in the release of the financial statement correspond to the additional financial data presented in the notes within the official financial statements. The additional financial information is formed by consolidating the audited and approved financial statements of Group's member companies. More detailed information on the principles of preparing the financial statements is given below.

Profit trends

For the financial year 2014 the Group's earnings before taxes was EUR 63.1 million (EUR 71.1 million). The profit for the financial year was EUR 46.6 million (EUR 66.0 million).

Operating income for the Group amounted to EUR 223.9 million (EUR 224.8 million). The growth in net interest income and fee income was particularly positive, with net interest income at EUR 122.0 million, showing an increase of 10.3% on the previous year. The increase in net interest income was particularly boosted by the increase in the difference between the interest rates of deposits and lending. The trend was bolstered by a reduction in the interest cost of deposit funds. Furthermore, protective measures implemented with an objective of limiting interest rate risk increased net interest income by EUR 21.3 million (EUR 22.8 million). Net fee income and expenses grew by 8.0% to EUR 63.5 million (EUR 58.8 million). Net investment income remained at the previous year's level of EUR 23.4 million (EUR 23.4 million). The fact that other operating income fell from the previous year's level is explained by the purchase of the share capital of Sp Life Insurance Company Ltd, using the negative goodwill (EUR 8.5 million) which was entered as income for the Savings Banks in the 2013 IFRS financial statements. Without this one-off item arising from the income recognition of the negative goodwill the result for 2014 would have showed a 0.9% increase in earnings before taxes.

Operating expenses for the Group grew by 2.4% from the previous year. A key factor in the increase in operating expenses was the Group's investments in developing the group structure and increasing its competitiveness. At the close of the year, the Group's cost/return ratio was 64.2% (62.5%).

A total of EUR 12.1 million (EUR 6.8 million) was recorded in impairments, allocated to different profit and loss account items. The increase in impairments is primarily due to the group companies harmonizing their recording of impairments.

The Group's income tax liability stood at EUR 16.5 million (EUR 5.1 million). The high tax liability for the financial year is demonstrated by the fact that the advance disbursement distributed by the Guarantee Fund is taxable income for the Savings Banks that are included in the Group consolidated financial statements. The Guarantee Fund will be included in the consolidated Group financial statements, whereby the advance disbursement made by it will not appear in the Group financial statements. Income tax liabilities for the 2013 financial year are significantly reduced as a result of the reduction in the corporate tax rate from 24.5% to 20%, which took place at the end of 2013. This had an impact on the valuation of imputed taxes at the end of financial year 2013.

Balance sheet and financing

At the end of 2014 the Group's balance sheet was at EUR 8.4 billion (EUR 7.7 billion), representing growth of 8.9%.

The state of the Finnish economy had an impact on growth not just in the Group, but throughout the banking sector. The Group has been able to grow at a faster rate than the industry standard, at the same time keeping risks at moderate level.

Loans and receivables from credit institutions amounted to EUR 201.5 million (EUR 513.7 million), showing a decrease of 60.8% due to the transfer of central credit institution services from Aktia Bank to the Central Bank of Savings Banks Finland ltd (hereafter Sp Central Bank). Following this change, the receivables from the central credit institution became internal receivables and were eliminated from the group consolidated financial statements. Similarly, the minimum reserve deposit made by Sp Central Bank to Bank of Finland increased the Group's cash assets. Loans and receivables from customers amounted to EUR 5.6 billion (EUR 5.3 billion), growing by 6.6%

on the previous year. The Group's investment assets stood at EUR 1.2 billion (EUR 1.2 billion). Assets held by the life insurance business amounted to EUR 439.8 million (EUR 343.0 million). The growth of 28.2% demonstrates the success of this business sector.

The Group held customer deposits of EUR 5.8 billion (EUR 5.6 billion), showing growth of 3.5%. Deposits from credit institutions amounted to EUR 448.4 million (EUR 297.6 million), growing by 50.7%. Promissory notes issued stood at EUR 446.5 million (EUR 282.9 million), giving a growth figure of 57.9%. As a result of increases in business activities, the liabilities of the life insurance business grew by 28.8% to EUR 404.6 million (EUR 314.2 million).

At the close of 2014 the Group's own funds stood at EUR 841.2 million (EUR 781.1 million), showing an increase of 7.7%.

Banking services

The banking segment includes the member Savings Banks of the Amalgamation and Sp Central Bank. The Savings Banks provide retail banking services and the Sp Central Bank acts as the central bank of the member banks.

Customer base

Surveys indicate that Savings Banks have an exceptionally satisfied and loyal customer base. Surveys conducted in in May 2014 by Asiakkuusmarkkinointiliitto ASML (Customer Relationship Marketing Federation) and the company Avaus Marketing Innovations, for which over 2 000 Finns evaluated the activities of 53 service enterprises, show that Savings Banks are the best in terms of customer experience. An EPSI Rating conducted in the autumn 2014 showed that customer satisfaction and the quality of service provided to customers by Savings Banks had further improved in 2014. An additional internal customer satisfaction survey conducted also produced excellent results with regard to both customer satisfaction and customer loyalty. According to the survey, 67 % of customers would be prepared to recommend a Savings Bank.

Trend in customer numbers

At the end of 2014, Savings Banks had approx. 469 000 customers. The customer number was more or less equal that of the previous year, with growth of 0.35%. Private customers account for 87% of the total customer base. During the year, 26 000 new customer accounts were opened, most of them for families with children.

In the past year, apart from acquiring new customers, Savings Banks have focused on maintaining current customer relationships. During 2014, the Savings Banks' customer service personnel met with just under one-third of all the customers of the whole Group. Applying the Savings Banks' own customer service concept, "A Moment with Your Personal Finances", customer service advisor discusses with the customer their existing and future financial needs. This service was provided in 2014 for approximately 50,000 customers.

In 2014, 7.4% more customers than in the previous year appointed a Savings Bank as their main bank. The number of insurance and fund saving customers increased by almost 10 %.

Business trends

In 2014, the total amount of credits granted by the Savings Banks was EUR 5.7 billion (EUR 5.3 billion), showing growth of 6.7%. Residential mortage loans to private customers stood at EUR 3.5 billion (EUR 3.2 billion), representing growth of 9.2%. In 2014, corporate loans amounted to EUR 925.9 million (EUR 912.7 million), growing by 1.5%.

Daily banking products account for 32.7% of the deposits held by Savings Banks, while various products of regular saving and investment account for 67.3% of the deposits. In 2014, daily banking products amounted to EUR 2.0 billion (EUR 1.9 billion), with year-on-year growth of 5.6%. Investment deposits amounted to EUR 3.9 billion (EUR 3.8 billion), with year-on-year growth of 2.2%.

Complete redesign of online services

In September 2014, the Group's website was redesigned, and the online banking system for private customers was revamped in October 2014. Thanks to the more advanced electronic services, customers have the opportunity to manage their banking business using any device they wish, depending on preference and circumstances.

In addition to the user-friendliness of the services, customers also appreciate the new functions that have been added. Customers are particularly pleased with the option of making appointments online and with the easy access to a comprehensive range of saving and investment information, including market data.

It is now possible to use the online system to subscribe to investment bonds and open a securities account. The Savings Banks' financial management service Finanssivahti (Finance Guard) was made available to all customers and it was incorporated permanently thanks to the online banking system.

Central credit institution functions were returned to the Savings Banks Group

Sp Central Bank is owned by the Savings Banks. Sp Central Bank provides Savings Banks with central credit institution services, including functions linked to payment transactions and the issue of payment cards as well as raising funding for the Amalgamation.

The central credit institution services were commenced in stages throughout 2014. The service managing the transfer of minimum reserves to the Bank of Finland was launched in May 2014. Savings Banks payment intermediation was transferred to Sp Central Bank on 1 November 2014. Sp Central Bank acts as intermediary in the transfer of the Savings Banks' euro and foreign currency payments. At the same time, Sp Central Bank took over as intermediary of online bill payments made by Savings Banks' customers. In December, Sp Central Bank started to act as intermediary in SEPA direct debit transactions. In November 2014, Sp Central Bank began to provide Savings Banks with support services for government's subsidized special loans. During the financial year, Sp Central Bank ceased to produce retail banking services.

As a result of the new central credit institution services, payment transaction volumes increased significantly at the end of the year. In December 2014 there were 3.8 million SEPA payment transactions. Similarly, Sp Central Bank's own corporate customers transmitted just over five million online bills in 2014.

Funding operations were developed significantly during the year. The organization and adoption of liquidity management in connection with payment transactions were carried out in conjunction with the return of the payment transaction system. The treasury system, which serves the whole Amalgamation's balance sheet and liquidity management function, was implemented in stages over the year and it will be continued in 2015. Towards the end of the year, Liquidity Coverage Ratio (LCR) accounts, intended for use by the member banks of the Amalgamation, were introduced. They are accounts which allow the banks to manage their future LCR requirements in the form of deposits. In funding operations the preparations were started for establishing a Euro Medium Term Note (EMTN) programme.

During the operating year, Sp Central Bank has prepared for commencing payment card issue services. The aim is to transfer the card issue service and the credit portfolio relating to credit cards to Sp Central Bank during 2015. During the operating year Sp Central Bank became a Visa European Principal Member.

Profit trends

Earnings before taxes from banking operations increased by 31.8% to EUR 73.2 million (EUR 55.5 million). Performance was boosted by growth in net interest income, fee income, and other operating income. Net interest income stood at EUR 121.7 million (EUR 110.2 million), representing growth of 10.4%. Net fee income and expenses amounted to EUR 61.8 million (EUR 57.6 million), showing growth of 6.2%. Net income from investments decreased by 2.5% to EUR 21.6 million (EUR 22.2 million). Other operating income grew to EUR 17.7 million (EUR 7.8 million). The growth in other operating income in 2014 was mainly due to the partial disbursement of the assets of the Savings Bank Guarantee Fund, which was linked to the dissolution of the Savings Bank Guarantee Fund.

In 2014, personnel expenses increased moderately to EUR 59.1 million (EUR 58.1 million). Other operating expenses grew by 1.2% to EUR 73.9 million (EUR 73.0 million). Despite numerous investments by the Group to increase its competitiveness, the growth in costs remained at a reasonable level.

The balance sheet for banking operations amounted to EUR 7.9 billion (EUR 7.3 billion), representing growth of 8.0%. The growth in the balance sheet volume was explained by loans and receivables from customers, which grew by 6.6% to EUR 5.8 billion (EUR 5.3 billion).

Growth in business was funded by the increase in the deposits from credit institutions and customers.

In 2014, loans and receivables from credit institutions amounted to EUR 193 million (EUR 513.7 million). This represents a decrease of 6.23% from the previous year. Deposits from credit institutions increased by 50.7% to EUR 448.4 million (EUR 297.6 million). Deposits from customer increased by 3.5% to EUR 5.8 billion (EUR 5.6 billion).

Asset Management and Life Insurance

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

At the end of the year, the fund capital managed by the Group was EUR 1.2 billion (EUR 0.9 billion), showing growth of 26.2% on the previous year. Taking into account the assets managed in accordance with asset management agreements, total assets managed amounted to EUR 1.5 billion (EUR 1.1 billion). The number of fund unit holders grew by 20.5%, and at the end of the reporting year there were a total of 125 004 unit holders (103 757 unit holders).

At the end of 2014, the Group managed a total of 19 investment funds. During the review period, two new funds were introduced. The Säästöpankki Aasia special investment fund, which targets the Asian stock markets, commenced operations in June, while the Säästöpankki Kehittyvät Korkomarkkinat special investment fund, which invests in developing countries' interest markets, began its operations in November.

Net subscriptions for funds managed by the Group amounted to EUR 185.6 million in 2014. This put the company in seventh place out of 31 Finnish fund managers. Once again, it was the Säästöpankki Korko Plus fund which accumulated the majority of the new capital, with EUR 120.1 million in net subscriptions.

As 2014 drew to a close, the Säästöpankki Korko Plus fund was also the largest of the funds managed by the company with capital of EUR 293.8 million. In terms of numbers of unit holders the largest fund was Säästöpankki Kotimaa. With 29 320 unit holders, the fund was the second largest equity fund investing in Finland and registered in Finland.

Insurance savings from life insurance services amounted to EUR 404.4 million (EUR 314.8 million) at the end of the year representing growth of 28.5%. At year-end unit-linked insurance savings were EUR 261.9 million (EUR 170.8 million), providing growth of 53.3%.

Total premium income from life insurance was EUR 101.9 million (EUR 82.8 million) representing an increase of 23.2%. EUR 26.6 million was paid out in claims, which represents growth on the previous year of 16.5%.

For Sp Life Insurance Company among the most significant event of 2014 were the centralization of the fund and asset management regarding unit-linked policies exclusively to Sp Fund Management Company as well as the launch of the capitalization policies with asset management for legal entities. At the end of the operating year, Hannover Re replaced Retro as reinsurer. This gave rise to compensation for terminating and transferring the reinsurance business, which amounted to EUR 0.9 million. This amount is reflected in the profit and loss account under Net investment income from life insurance.

Profit trends

Earnings before taxes for Asset Management and Life Insurance segment was EUR 1.8 million (EUR 5.1 million). In 2014, a supplementary provision related to cost changes and an interest supplement were carried out in the life insurance business; these apply to pension insurance policies. The total provision amount was EUR 6.7 million (EUR 0.6 million). The provision reduced the profit of the relevant segment by the equivalent amount in 2014.

Net income from life insurance activities amounted to EUR 6.2 million (EUR 8.6 million), showing a decrease of 27.2%. In the life insurance segment, investment activities produced net income at fair values of 4.9% (7.3%), with regard to investment assets. The result exceeds the return targets set for investment activities, showing a decrease on the previous year.

Net fee income and expenses amounted to EUR 5.9 million (EUR 4.6 million), representing growth of 28.3%. The amount of fee income and expenses rose due to increases in customer assets and managed capital.

Operating expenses grew by 28.7% to EUR 10.5 million (EUR 8.2 million). The increase in expenses is due to the investments made in the asset management and life insurance businesses. Personnel expenses increased by 20.7% to EUR 4.6 million (EUR 3.5 million). Other operating expenses amounted to EUR 4.5 million (EUR 3.5 million).

Other operations

Other operations of the Group covers Savings Banks Union Coop, Sp Koti, Savings Banks Guarantee Fund, Säästöpankkien Holding, and other group amalgamated companies. Other operations do not constitute a segment that is subject to reporting.

Despite the weakened state of the Finnish economy, the franchising company Sp Koti, which focuses on real estate brokerage, was able to stay on a growth path. The growth was achieved through active recruitment of entrepreneurs. The real estate brokerage business was actively developed throughout the year.

In 2014, Sp Koti launched plans for a new business model. The model is a "broker/entrepreneur model", in which private individuals operating under a trading name closely and actively cooperate with Sp Koti. A pilot of the new operating model was launched on 2 January 2015. Rather than rejecting the conventional franchising business model, the new model focuses on achieving growth in the changing competitive and market circumstances.

Savings Banks have been members of the Savings Banks Guarantee Fund. The Guarantee Fund's mission has been to safeguard the operating stability of its members. None of the member banks received support from the Guarantee Fund in 2014. Within the Amalgamation the members no longer need a separate guarantee fund, since the Amalgamation's central institution is able to provide the member banks with the equivalent support.

Consequently, the Guarantee Fund's delegation decided on 16 October 2014 that the fund would be dissolved and the monetary assets would be returned to the member banks. The total amount of the funds to be returned to the Guarantee Fund's member banks is approximately EUR 24.4 million, of which approximately EUR 20.0 million, i.e. 81.9%, belongs to the members of the Amalgamation.

In December 2014, the Savings Banks Guarantee Fund refunded EUR 16.8 million, of which the share of the member banks of the Amalgamation was EUR 13.8 million.

The Guarantee Fund will wind up its operations in spring 2015 when the Fund delegation approves the final accounts for the dissolution.

The assets refunded by the Guarantee Fund are shown under the individual Savings Banks' profit and loss account item Other business income, resulting in an increase in the banks' profits. The refunded assets do not have any impact on the result of the Group in the IFRS financial statements. However, the advance disbursement appears under the item Other business income of the banking segment.

The capital adequacy of the Amalgamation

The year 2014 brought significant changes in regulation. The new capital adequacy regulation, which is based on the recommendations made by the Basel Committee on Banking Supervision in 2010, came into force at the beginning of the year 2014. In Europe, the regulation framework is founded on the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV), published in June 2013. The Capital Requirements Regulation is directly binding on member states and as it came into force, a significant proportion of the Finnish Financial Supervisory Authority's (FIN-FSA) standards on capital calculations were repealed. The European Banking Authority (EBA) will issue more detailed technical and implementation standards, which are binding regulations for member states.

The Capital Requirements Directive was implemented nationally by means of the new Credit Institutions Act, which came into force in August 2014. The Credit Institutions Act also imposes new additional capital requirements on banks, and they must be covered by CET1 capital. As from the beginning of 2015, in addition to the minimum capital requirement, banks also have to comply with the capital conservation buffer, which is 2.5% of total risk weighted assets. The capital conservation buffer increases the CET1 capital requirement on banks to 7% and the total capital requirement to 10.5% of total risk. Furthermore, the Finnish Financial Supervisory Authority may set a countercyclical capital buffer of 0 % - 2.5% by separate decision. This also will have to be covered by CET1 capital.

The new regulations aim to harmonize capital adequacy legislation in all EU member states and remove national differences from legislation. The new regulations tighten the regulation of banks, through both terms set regarding capital instruments and the introduction of additional capital buffers.

At the end of 2014 the Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Own funds were EUR 814.3 million (804.1), of which CET1 capital accounted for EUR 737.6 million (645.0). Tier 2 (T2) capital accounted for EUR 76.8 million (159.1), of which EUR 43.4 million (159.1) was in debentures. The capital ratio of the Amalgamation was 18.6% (19.6 %) and the CET1 capital ratio was 16.9% (15.7%).

The new capital adequacy regulations brought more detail to the definitions of 'own funds' and 'total risk', i.e. risk-weighted assets. Consequently, the key figures for 2013 year-end capital adequacy are not fully comparable to the 2014 year-end figures.

The most significant individual changes in regulations, from the point of view of the Amalgamation, relate to the financial investments made by the member banks and to amortization of debenture loans, which are no longer included in the calculation of own funds.

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

Own funds* (1 000 euros)	2014	2013
Common Equity Tier 1 (CET1) capital before regulatory adjustments	796 778	698 201
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-59 220	-53 157
Common Equity Tier 1 (CET1) capital	737 559	645 044
Additional Tier 1 (AT1) capital	0	0
Tier 1 capital (T1 = CET1 + AT1)	737 559	645 044
Tier 2 (T2) capital before regulatory adjustments	26 881	195 804
Total regulatory adjustments to Tier 2 (T2) capital	49 910	-36 710
Tier 2 (T2) capital	76 791	159 094
Total capital (TC = T1 + T2)	814 349	804 138
Total risk weighted assets	4 369 355	4 096 593
of which: credit and counterparty risk	3 811 274	3 691 292
of which: credit valuation adjustment (CVA)	123 140	0
of which: market risk	46 954	43 990
of which: operational risk	387 988	361 310
Common Equity Tier 1 (as a percentage of risk-weighted assets)	16.9 %	15.7 %
Tier 1 (as a percentage of risk-weighted assets)	16.9 %	15.7 %
Total capital (as a percentage of risk-weighted assets)	18.6 %	19.6 %

* The own funds and capital adequacy as at 31 December 2014 are presented in accordance with the EU's Capital Requirements Regulation (575/2013), which came into force on 1 January 2014. The figures for the comparison period are presented in accordance with legislation in force on 31 December 2013.

Group's risk management and internal control framework

Risk management is a component of the internal control framework applied within the Group and the Amalgamation. It is also at the core of the Group's operational activities. It is the responsibility of the central institution's board of directors to steer the operation of the Amalgamation and, in order to safeguard liquidity and capital adequacy, issue instructions to the member companies on risk management, corporate governance, internal control and compliance with harmonized accounting principles in the preparation of the consolidated financial statements. The central institution approves the principles for the Group's internal control framework.

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

- Risk control
- Compliance
- Internal audit

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

All significant loans or commitments including significant risk are made in accordance with collegial decision making processes, and there is lending authority limit structure in place. Internal operational guidelines are used to steer business operations and processes. Compliance with the internal guidelines as well as the updating process of the guidelines is monitored. All decisions and significant business operations are documented and archived.

An essential part of risk management is executed in daily supervision. The execution of made decisions is monitored through approval and verification process, controls and reconciliations together with adequate follow-up reporting.

The most significant risks affecting the operation of the Group are credit risk, liquidity risk, interest rate risk, operational risk, real estate risk as well as various business risks. More detailed information on the Group's risk management can be found in the notes to the official financial statements related to risk management and Pillar III.

Supervisory Board, Board of directors, and Auditors of the Savings Banks Union Coop

Under the bylaws of the Savings Banks Union Coop, the Union's Supervisory board has no less than nine (9) and no more than 35 members, each of whom has a designated deputy. Under the operating principles of the Group, the trustee chairmen of the Savings Banks' boards of directors are elected to the Supervisory Board as regular members and the deputy chairmen as deputy members. Other members may also be elected to the Supervisory Board, within the limits set for the number of members. No other members apart from the chairmen were elected to the Supervisory Board in 2014.

Up to 13 March 2014 when the annual general meeting was held, the Supervisory Board had 29 members; following the annual general meeting members numbered 24. Chairman of the supervisory Board was Mr Jaakko Puomila (chairman of the Board of directors of Länsi-Uudenmaan Savings Bank) and deputy chairman was Pauli Kurunmäki (chairman of the Board of directors of Huittinen Savings Bank).

As from 13 March 2014, the following are members of the Board of directors of the Savings Banks Union Coop:

Jussi Hakala, chairman (Lieto Savings Bank)

Matti Saustila, deputy chairman (Eurajoki Savings Bank)

Pirkko Ahonen (Aito Säästöpankki Oy)

Hans Bondèn (Närpiö Savings Bank)

Juhani Huupponen (Somero Savings Bank)

Immo Laiho (Myrskylä Savings Bank)

Mikko Paananen (Savings Bank Optia)

Immo Laiho resigned as board member on 10 November 2014, and Mikko Paananen resigned as board member on 21 January 2015. The Board of directors of the Savings Banks Union Coop has a quorum when at least four members attend the meeting. The Board of directors of the Savings Banks Union Coop is elected at the annual general meeting of the Union on 19 March 2015.

Mr Pasi Kämäri is the CEO of the Savings Banks Union Coop.

The annual general meeting held on 13 March 2014 appointed KPMG Oy Ab as auditor of the central institution. The institution named Petri Kettunen (APA) as chief auditor.

The notes to the financial statements contain more detailed information on the corporate governance principles applied within the Group. The notes to the financial statements also include more detailed information regarding the related party transactions.

Personnel

At the close of 2014, the Group had 1 164 (1 171) employees. Converted into total resources, personnel volumes were approx. 1 084 (1 087) in the financial year. As in the previous year, women accounted for 78% and men for 22% of all employees. There was no change in the average age (44) of personnel. Overall turnover of personnel was 3.9% (4.8%).

Social responsibility

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

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

Promoting social wellbeing locally

Savings Banks do not operate on the principle of fast short term profits or with a view to exploiting their customers' circumstances. Savings Banks found their operation on efforts to promote their customers' personal wealth accumulation and financial management. When Savings Banks' customers prosper and their welfare increases, the Savings Banks prosper as well.

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

In recent years, Savings Banks have called on their customers to help with their mission. Customers have been able to vote through local online channels on the most deserving beneficiaries of the banks' financial support. In 2014, the voting option was used by total of 6,772 Finns. Savings Banks made financial contributions of EUR 423,305 in 2014 to work benefitting children and young people, war veterans, the elderly, junior sport as well as supporting other leisure activities.

Financial accountability

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

To maintain financial accountability, the Savings Banks have to ensure their capital adequacy and liquidity despite even in poor economic conditions. A particular feature that applies to Savings Banks is that is taking responsibility for promoting saving and economic well-being among the local population. For example, Savings Banks only provide their customers with loans and credit that they can manage without straining their finances.

The Group also takes a responsible attitude towards the Finnish economy. Savings Banks pay all of their taxes directly to Finland. They do not participate in controversial tax planning practices. The Group's income taxes amounted to EUR 16.5 million in 2014. The Group employs over one thousand financial and service industry professionals around the country. Through the presence on the various committees of the Federation of Finnish Financial Services, the Group contributes actively to the development of the Finnish banking sector.

Environmental responsibility

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

Events after the financial year

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

Outlook for 2015

Outlook for the operating environment

In the coming year, the euro zone will not be capable of steering the economy onto a growth path. Even in the most positive scenario, GDP will remain below one per cent. There is an acute risk of deflation. Interest rates are already low, and so are the risk margins in corporate bonds. Since the availability of financing is adequate at the moment, any increase in liquidity will not stimulate growth. Nominal interest rates are forecast to be almost negative in the next five year period; therefore lowering interest rates are not helping stimulate the economy.

The year 2015 should be favorable for investors. In spite of the fact that economic growth in the euro zone will be slow, companies will be able to modify their operations so that profit margins will remain at a good level. Interest rates will remain at a low level for a long time, and risk margins will get narrower. The fact that investors need a certain amount of ongoing earnings forces them to deal with more risk prone asset categories, which will partly be evident as lower risk margins. The key interest rate in the euro area will remain low over the next several years.

The outlook for the housing markets in 2015 is very similar to that of 2014, with no significant change in the markets. Prices are expected to fall by 0.5-2% in areas that are undergoing structural change, however in the growth centres prices are likely to remain at current levels, and the prices in the most vital urban areas may show an upward trend at the end of the year. The trends in the housing markets essentially take their cue from employment figures, consumers' confidence in the development of the economy and the operation of the financial markets.

For Finland, the outlook for the coming year is somewhat weaker than in the euro zone. The weaker rouble rate is causing problems to the retail trade and the service sector. In terms of exports, the only positive factor in the mix is the weakening of the euro, but the effects are specific to each individual undertaking and they only appear with a delay. The current government achieved very little, and credit ratings agencies are placing great pressure for structural reforms in the economy.

It is crucial that any future government has a strong basis to achieve resolutions on the necessary measures when it commences after the elections. It is expected that the Finnish economy will not see any growth in 2015, and any movement in GDP will be more or less zero.

Business prospects

The low level of market interest rates will be a challenge for profit performance in 2015. However, the low market rate level will not pose a risk to the profit performance or capital adequacy of the Group. The Group has strong capital adequacy and its risk position is moderate.

The priority for the Group's business in 2015 will continue to be the improvement of its competitiveness and the implementation of its strategy of customer-oriented operation. Savings Banks are well placed to achieve this. It is the objective of the Group to have even greater numbers of new customers in 2015, who want to make a savings bank their main provider of banking services.

The Group's profits before taxes are expected to be at least at the same level as in 2014. The estimate is based on the current view of economic development. The expectations are tempered by the uncertainties in the economic situation; these have an effect on the projected final outcome. This applies in particular to loan impairments.

Further information:

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Releases and other corporate data are available on the Savings Banks Group's website at

www.saastopankki.fi/saastopankkiryhma

Financial highlights

(1 000 euros)	2014	2013
Revenue	272 898	271 235
Net interest income	122 022	110 612
% of revenue	44.7 %	40.8 %
Profit before taxes	63 137	71 074
% of revenue	23.1 %	26.2 %
Total operating revenue	223 903	224 841
Total operating expenses	-143 763	-140 619
Cost to income ratio	64.2 %	62.5 %
Total assets	8 400 544	7 717 389
Total equity	841 230	781 086
Return on equity %	5.7 %	8.9 %
Return on assets %	0.6 %	0.9 %
Equity/assets ratio %	10.0 %	10.1 %
Solvency ratio %	18.6 %	19.5 %
Impairment losses on loans and other receivables	10 539	5 859
Number of employees converted to FTEs	1 072	1 082
Average number of FTEs during the financial year	1 084	1 087

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 %	$\frac{\text{Profit}}{\text{Average total assets}}$
Equity/assets ratio %	$\frac{\text{Equity (incl. Non-controlling interests)}}{\text{Total assets}}$

SAVINGS BANKS GROUP'S CONSOLIDATED IFRS FINANCIAL ACCOUNTS 31 DECEMBER 2014

Consolidated statement of financial position

(1 000 euros)	Note	31.12.2014
Assets		
Cash and cash equivalents	8	532 764
Assets at fair value through profit or loss	9	132 028
Loans and advances to credit institutions	10	201 453
Loans and advances to customers	10	5 648 909
Derivatives	11	88 705
Investment assets	12	1 187 833
Life insurance assets	13	439 765
Investments in associates and joint ventures	14	44 301
Property, plant and equipment	15	55 953
Intangible assets	16	18 511
Tax assets	17	3 203
Other assets	18	47 119
Total assets		8 400 544
Liabilities and equity		
Liabilities		
Liabilities at fair value through profit or loss	19	111 475
Liabilities to credit institutions	20	448 360
Liabilities to customers	20	5 807 791
Derivatives	11	4 227
Debt securities issued	21	446 484
Life insurance liabilities	22	404 642
Subordinated liabilities	23	169 131
Tax liabilities	17	76 093
Provisions and other liabilities	24	91 111
Total liabilities		7 559 313
Equity		
Basic/share capital	25	10 343
Reserves	25	292 125
Retained earnings	25	511 630
Total equity attributable to equity holders of the Group	25	814 099
Non-controlling interests	25	27 132
Total equity		841 230
Total liabilities and equity		8 400 544

NOTE 1: DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SCOPE OF THE FIRST FINANCIAL STATEMENTS

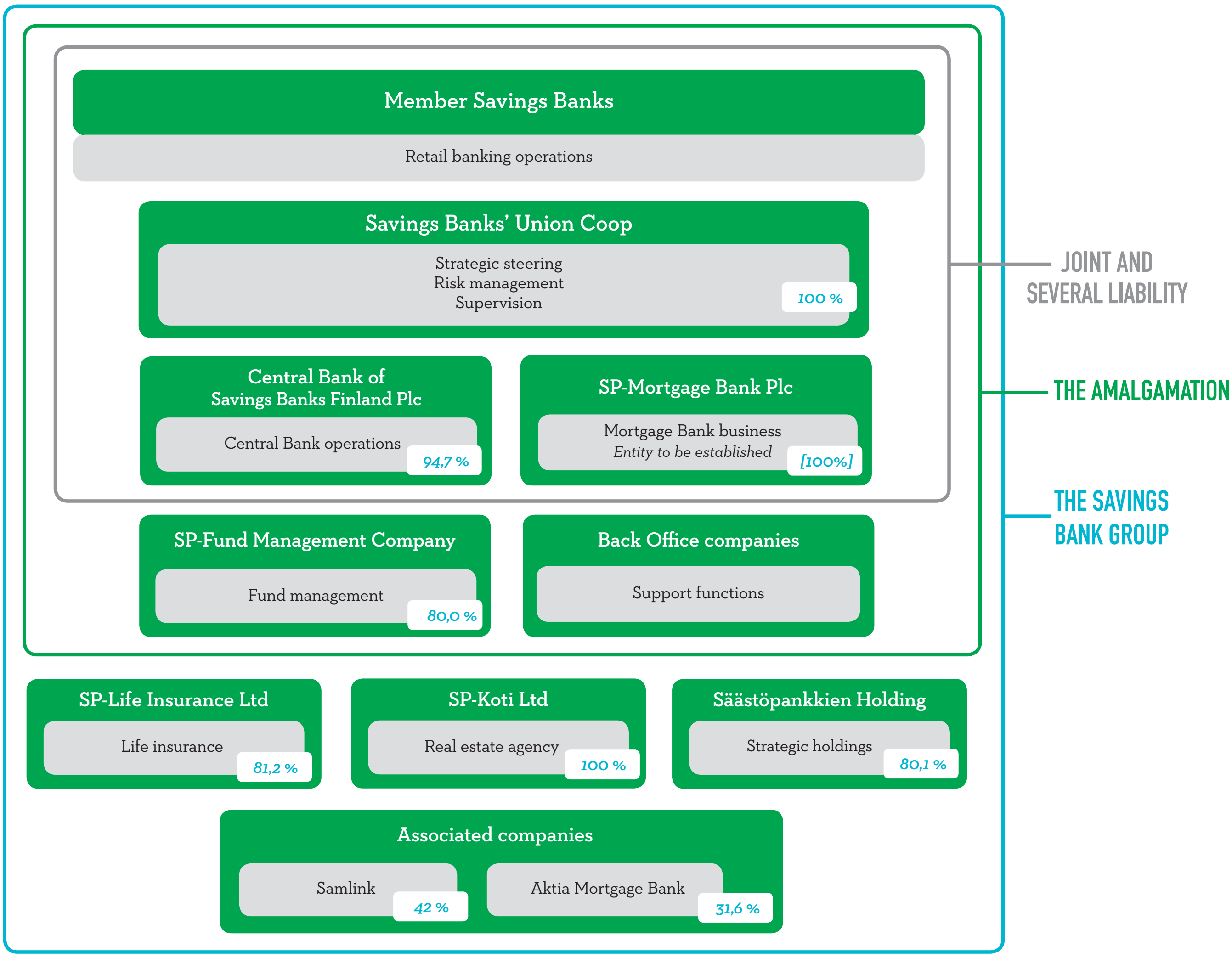
The Savings Banks Group (hereafter Group) is a financial group comprising Savings Banks and their central institution, the Savings Banks Union Coop, as well as their subsidiaries and associated companies.

The Savings Banks are independent, regional and local banks. Together the Savings Banks form a banking group that operates locally as well as nationally. The basic objective of the Savings Banks is to promote thrift, the financial well-being of their customers and to operate near their customers. The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range offered is complemented with the other financial services and products provided in cooperation with the service and product companies within the Group. The service and product companies within the Group support and promote the operations of the Group via producing centralized services or having responsibility for certain products. The most significant service and product companies of the Group are Sp Central Bank, Sp Life Insurance, Sp Fund Management Company and Sp Koti Ltd.

The member organizations of the Savings Banks Amalgamation (hereafter Amalgamation) form a financial entity as defined in the Act on Amalgamations, in which the Savings Banks Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks Union Coop, which acts as the central institution of the Amalgamation, 25 Savings Banks, the Central Bank of Savings Banks Finland Ltd, Sp-Fund Management Company Ltd, as well as the companies within the consolidation groups of the above-mentioned entities.

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 Sp-Life Insurance Ltd, Sp-Koti Ltd, Säästöpankkien Holding Ltd, and the Savings Banks' Guarantee Fund. The Savings Banks Union Coop and its member Savings Banks do not have control over each other as referred to in the general consolidation accounting principles and therefore it is not possible to define a parent company for the Group.

The structure of the Amalgamation and the Group are described in the chart below (the grey 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. The companies consolidated into the financial statements are listed in note 32. All figures presented hereafter are Group's figures unless otherwise stated.

Savings Banks Union Coop's registered office is in Espoo and its registered address is Linnoitustie 9, FI-02600 Espoo.

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

The Board of directors of Savings Banks Union Coop has in their meeting 24 February 2015 approved the Group's consolidated financial accounts for the financial year ending 31 December 2014. The consolidated financial statements will be presented to the cooperative meeting of Savings Banks Union Coop in the meeting scheduled for 19 March 2015.

The scope of the Group's first consolidated financial statements

Commencing the operation of the Amalgamation

The Amalgamation commenced on 31 December 2014.

On 30 September 2013, the Board of the Savings Banks Union Coop made the decision to propose to the Savings Banks that they form an amalgamation in accordance with the Act on the Amalgamation of Deposit Banks. The Savings Banks Union Coop would become the central institution of the Amalgamation after being converted into a cooperative. Furthermore the Board proposed that the Savings Banks decide to join the Amalgamation and approve its operational principles, the central institution's bylaws as well as the amendments to the bylaws of the Savings Banks which are required by the membership of the Amalgamation.

The Supervisory Board of the Savings Banks Union Coop decided on 17 October 2013 to recommend that the Savings Banks make a decision on forming an amalgamation in accordance with the proposal made by the Savings Banks Union Coop's Board.

At the end of 2013, the Savings Banks made decisions to join the Amalgamation and make the relevant amendments to the banks' bylaws. The Amalgamation was decided to be formed by 25 Savings Banks.

At the Savings Banks Union Coop's extraordinary meeting held on 23 January 2014, the Union's member banks decided that the Savings Banks will form an amalgamation in accordance with the Act on the Amalgamation of Deposit Banks, and that the Savings Banks Union Coop will be made the central institution of the amalgamation. At the extraordinary meeting, a decision was also made to convert the union into a cooperative in accordance with the Act on converting an association into a cooperative.

On 16 October 2014, the Finnish Financial Supervisory Authority granted the Savings Banks Union Coop authorization to operate as the central institution of the Savings Banks Amalgamation. The decision to commence the Amalgamation's operations on 31 December 2014 was made on 18 November 2014 by the Board of the Savings Banks Union Coop.

According to section 9 (2) of the Act on the Amalgamation of Deposit Banks, the central institution must prepare consolidated financial statements based on the financial statements or consolidated financial statements of the central institution and its member credit institutions in accordance with the international financial reporting standards referred to in chapter 7 A, section 1 of the Accounting Act. The consolidated financial statements also comprise organizations over which the above-mentioned organizations exercise joint control as referred to in the Accounting Act.

The Group's obligation and right to prepare official consolidated IFRS financial statements began when the Amalgamation commenced its operations, i.e. on 31 December 2014, which is also the closing date of the Group's financial period. Therefore, the Group's first official financial statements only include the balance sheet and the related notes, accounting policies and other notes to the financial statements.

Since the Group is a new legal entity, the Group has not previously prepared consolidated financial statements under the Finnish Accounting Act. These consolidated IFRS financial statements were prepared by combining the individual finacial statements of the member companies of the Group, which were prepared in accordance with the Finnish Accounting Act, and by making the necessary consolidation eliminations and IFRS adjustments. The banks within the Group have applied IAS 39 Financial Instruments: Recognition and Measurement in their individual financial statements.

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

Additional financial information presented in Note 48

The Group is the oldest banking group in Finland and has been operating already almost two hundred years. The co-operation within the Group has been based on the clear roles where the Savings Banks operate in the retail banking business and Savings Bank Union Coop together with the service and product companies support the operations of the Savings Banks. The Savings Banks operations are conducted in such manner that the objectives of the Group are achieved. Savings Bank Union Coop represents the Savings Banks and prepares and negotiates on behalf of them any matters and contracts related to the cooperation within the Group. These include, among others, common IT investments and related decision making, contracts with partners and establishing and/or acquisition of service and product companies.

The objective of the additional financial information included in the financial statements is to give the credit rating agencies, investors and other interest groups an accurate and comprehensive understanding of the Group's financial position and the formation of the result. For this reason as an addendum to the official financial statements additional financial information on the Group is supplied from the time preceding the Amalgamation.

The additional financial information is presented in the note 48 of the Group's consolidated financial statements and comprises the consolidated financial statements of the Group for the entire financial year 1.1.-31.12.2014 as well as for the whole comparison accounting period of 1.1.-31.12.2013. Regarding the additional financial information the Group's date of IFRS transition was 1 January 2013 and the information has been prepared in accordance with the accounting policies described in Note 2. The additional financial information is formed by consolidating the audited and approved financial statements of Group's member companies. The information presented as additional financial information has been prepared using "combined financial statements" principle where the historical financial information of the companies are consolidated into one financial group making the necessary eliminations and corrections due to implementation of IFRS. The preparing the consolidated financial statements as one financial group is based on "common management" principle given that the Savings Banks Group has operated under common steering even if there has not been common control over the Group. The balance sheet included in the official financial statements of 31 December 2014 and the balance sheet in the form of additional financial data dated 31 December 2014 are identical in content.

The additional financial information also includes the calculation related to the impact of IFRS implementation and the differences between the Finnish Accounting Act and IFRS financial statements.

NOTE 2: ACCOUNTING POLICIES

1. General

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

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

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

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

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

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

2. Consolidation principles

Technical parent company

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

The Savings Banks' Union Coop and its member Savings Banks do not exercise control over each other as referred to in the Accounting Act. It is therefore not possible to define a parent company for the Group in accordance with the Accounting Act. The so-called technical parent company referred to in the Group's IFRS financial statements is formed out of 24 member Savings Banks, which jointly exercise control over the other organizations consolidated in the Group's IFRS financial statements. The technical parent company's mutual ownership, intercompany business transactions, mutual receivables and liabilities, internal distribution of profits and intercompany margins are eliminated.

The Group's basic/share capital is made up of the Savings Banks' basic/share capital, excluding Nooa Savings Bank Ltd, which is a subsidiary jointly owned by the other member Savings Banks. The Group's share capital consists of the Savings Banks' basic capital, which is not repaid according to Section 11 of the Savings Banks Act.

Subsidiaries

Group subsidiaries are entities over which the Group has control.

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

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

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

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

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

Structured entities

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

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

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

Associated companies and joint arrangements

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

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

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

Non-controlling interests

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

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

3. Financial instruments

Classification and recognition

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

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

Financial liabilities are divided into two categories for valuation:

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

Classification in the Savings Banks Group's balance sheet is independent of the IAS 39 categories. Different valuation bases can therefore be applied to assets and liabilities recognized on the same line in the balance sheet. The division of financial assets and liabilities recognized in the balance sheet into valuation categories is set out in Note 7.

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

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

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

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

Financial assets recognized at fair value through profit or loss

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

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

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

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

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

Held-to-maturity financial investments

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

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

Loans and other receivables

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

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

Available-for-sale financial assets

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

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

Other financial liabilities

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

Determining fair value

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

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

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

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

- Fair values quoted in active markets for identical assets or liabilities (Level 1)
- Fair values that are determined using other input data than the quoted prices at Level 1, which are observable for the assets or liabilities either directly (e.g. prices) or indirectly (e.g. derived from prices) (Level 2)
- Fair values that are determined using input data which is essentially not based on observable market data (Level 3).

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

Derivative financial instruments and hedge accounting

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

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

Changes in the fair value of derivatives hedging fair value are recognized in the income statement under "Net trading income". When hedging fair value, the hedged item is also measured at fair value during hedging even if it would otherwise be measured at amortized cost. A change in the hedged item's fair value is recognized in the balance sheet as an adjustment to the balance sheet item and in the income statement under "Net trading income". The interest of hedging derivatives is shown as an adjustment of interest expense.

The effective portion of the fair value changes of derivatives hedging cash flow is recognized in the fair value reserve in shareholders' equity, adjusted with deferred taxes. The ineffective portion of fair value change is recognized directly in the income statement under Net trading income. Changes in the time value of interest rate options that have been recognized as hedging instruments are also recognized as net trading income, because time value is not part of the hedging relationship. The interest of hedging derivatives is included in interest income.

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

Impairment loss on financial assets

Loans and other receivables

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

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

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

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

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

Held-to-maturity financial investments

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

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

Financial assets available for sale

If objective evidence emerges at the reporting date that the value of a security classified as an available-for-sale financial asset may be impaired, the security is subjected to an impairment test. If during the review the value is found to be impaired, the loss accumulated in the fair value reserve is recognized in the income statement under "Net investment income". Objective evidence of impairment of an investment in an equity instrument includes e.g. serious financial difficulties of the issuer or debtor as well as information about significant, negative changes in the technology or market environment or in the economic or legal environment in which the issuer operates. Such evidence suggests that the acquisition cost of an investment in an equity instrument may not be recovered. Also, a significant or prolonged decline of the fair value of an investment in an equity instrument below its acquisition cost is objective evidence of impairment. The management of the Group has determined that a decline in fair value is significant when it is more than 40% below the instrument's acquisition cost and long-term when the impairment has continuously lasted for more than 12 months and the impairment is at least 20% of the acquisition cost.

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

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

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

4. Leases

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

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

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

5. Employee benefits

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

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

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

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

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

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

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

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

6. Life insurance assets and liabilities

Classifying insurance policies into insurance and investment contracts

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

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

Liabilities for insurance and investment contracts

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

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

Insurance contract liability for unearned premiums and the liability for outstanding pensions are defined based on insurance savings, which consist of premiums paid, credits, debits and value changes, supplementing it with future interest and operating expense. The discount rate for insurances entitling the policyholder to discretionary benefits has been reduced to 2 per cent for those contracts whose guaranteed interest rate exceeds 2 per cent. The average discount rate is 0.6 per cent.

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

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

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

Adequacy test of liabilities for insurance policies

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

The market value of an insurance liability is valued as the sum of the best estimate and risk margin. The best estimate is calculated taking into account an estimate of all the cash flows related to the contracts. The valuation model is based on the upcoming Solvency II regulation as it is presented in the EU Commission's regulation draft of 28 July 2014. With regard to the risk margin, simplification permitted in the regulation shall be used.

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

The principle of equity concerning life insurance

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

7. Intangible assets

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

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

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

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

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

Estimated useful lives are mainly as follows:

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

Intangible assets are recognized in the item Intangible Assets in the balance sheet. Amortization and impairment losses are recognized in the income statement under Depreciation, amortization and impairment of property, plant and equipment and intangible assets.

8. Property, plant and equipment and investment property

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

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

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

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

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

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

Estimated useful lives are in mainly as follows:

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

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

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

9. Provisions and contingent liabilities

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

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

10. Taxes

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

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

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

11. Revenue recognition

Interest income and expense

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

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

Fee and commission income

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

Net trading income

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

Net investment income

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

Net life insurance income

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

Other operating revenue

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

12. Adoption of new IFRS standards and interpretations

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

* = not yet endorsed for use by the European Union as of 31 December 2014

- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions*: The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on the Group's consolidated financial statements.
- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgment in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgment when determining where and in what order information is presented in the financial disclosures. The interpretation had no significant impact on the Group's consolidated financial statements.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortize intangible assets. The amendments will have no impact on the Group's consolidated financial statements. The Group does not use revenue-based method for depreciation.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Bearer Plants* (effective for financial years beginning on or after 1 January 2016): These amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment and included in the scope of IAS 16, instead of IAS 41. These amendments will have no impact on the Group's consolidated financial statements.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for financial years beginning on or after 1 January 2016): The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not assessed to have an impact on the Savings Banks Group's consolidated financial statements.

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception* (the amendments can be applied immediately; mandatory for financial years beginning on or after 1 January 2016): The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. The amendments will not have an impact on the Group's consolidated financial statements.

- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016): The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments are not assessed to have an impact on the Savings Banks Group's consolidated financial statements.

- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for financial years beginning on or after 1 January 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an impact on the Savings Banks Group's consolidated financial statements.

- New IFRS 14 Regulatory Deferral Accounts* (effective for financial years beginning on or after 1 January 2016): IFRS 14 is first specific IFRS guidance on accounting for the effects of rate regulation. It is an interim standard. IFRS 14 allows first-time adopters of IFRS, whose activities are subject to rate-regulation, to continue using previous GAAP ("grandfathering") while the IASB completes its comprehensive project in this area. IFRS 14 is an optional standard. The new standard will not have an impact on the Savings Banks Group's consolidated financial statements.

- Annual Improvements to IFRSs, 2012-2014 cycle*) (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant with regard to the Savings Banks Group's financial statements.

- New IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has assessed that the impact of the new standard will not have a significant impact on the Group's revenue recognition.

- New IFRS 9 Financial Instruments* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Determining fair value

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

Impairment of financial assets

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

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

Impairment of non-financial assets

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

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

Actuarial calculations

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

Deferred tax assets

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

Present value of pension obligation

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

NOTE 4: RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT POLICIES OF THE GROUP

Savings Banks Union Coop General Meeting

The highest decision making authority in the Savings Banks Union Coop (hereinafter the "central institution") belongs to the members participating in the general meeting. Among other things, the meeting confirms, on the proposal of the Board, the operating principles, strategy, solvency management policies and other general governance principles of the Savings Banks Group.

Supervisory Board

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

During the past financial year, it had 24 members. The Chairman of the Supervisory Board has been Mr Jaakko Puomila with Mr Pauli Kurunmäki acting as vice-chairman. The members of the Supervisory Board are chairmen of the boards of savings banks.

The Supervisory Board is responsible for monitoring the governance of the central institution by the Board and the CEO making sure that the operations are managed knowledgeably and carefully, pursuant to the Cooperatives Act, and in the interest of the central institution and the Savings Banks Group. The Supervisory Board issues a statement to the general meeting on the Savings Banks Group's strategy and other common objectives and policies.

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

Board of Directors

The general meeting elects the members of the Board for the term extending till the next ordinary general meeting. The Board consists of six to nine members.

At the end of the financial year, the members of the Board were Mr Jussi Hakala (chairman), Mr Matti Saustila (vice-chairman), Ms Pirkko Ahonen, Mr Hans Bondèn, Mr Juhani Huupponen and Mr Mikko Paananen. The Directors are CEOs of the savings banks.

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

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

Committees

The Supervisory Board has appointed a nomination committee and a remuneration committee, and the Board has elected an audit committee and a risk committee. The Supervisory Board and the Board have approved the rules of procedure for the committees they each have appointed.

The task of the nomination committee is to prepare a recommendation regarding the members of the governing bodies of the central association and the savings banks' service companies, along with their remuneration.

The remuneration committee prepares recommendations for remuneration policies and systems of the CEO's and the members of the management reporting directly to CEOs in member credit institutions and other amalgamation organizations. Furthermore, the committee shall prepare remuneration guidelines and schemes.

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

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

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

CEO

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

The CEO of the central institution is Mr Pasi Kämäri and his deputy is Mr Harri Mattinen.

Audit

The central institution has one auditor, which must be an audit firm approved by the Finnish Central Chamber of Commerce. This auditor also audits the consolidated financial statements as defined in the Amalgamation Act.

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

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

Legal structure of the savings banks amalgamation and savings banks group

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

Members of Savings Bank Union Coop

As of 31 December 2014, the Savings Bank Union Coop's members were:

Aito Säästöpankki Oy

Avain Säästöpankki

Ekenäs Sparbank

Eurajoen Säästöpankki

Helmi Säästöpankki Oy

Huittisten Säästöpankki

Kalannin Säästöpankki

Kiikoisten Säästöpankki

Kristinestads Sparbank

Kvevlax Sparbank

Lammin Säästöpankki

Liedon Säästöpankki

Länsi-Uudenmaan Säästöpankki

Mietoisten Säästöpankki

Myrskylän Säästöpankki

Nooa Säästöpankki Oy

Närpes Sparbank

Pyhärannan Säästöpankki

Someron Säästöpankki

Suomenniemen Säästöpankki

Sysmän Säästöpankki

Säästöpankki Optia

Säästöpankki Sinetti

Ylihärmän Säästöpankki

Yttermark Sparbank

Central Bank of Savings Bank Finland Ltd (became a member of Savings Banks Union Coop on 16th October 2014)

Risk management and internal control framework of the Savings Banks Amalgamation

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

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

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

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

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

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

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

- the achievement of goals and objectives
- economical and efficient processes
- management of risks related to operations
- the reliability and validity of financial and other management information

- compliance management
- adequate security of operations, data as well as company and customer assets, and
- appropriate and adequate manual and automated information systems in support of business operations.

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

The central institution's Board is primarily responsible for organizing, implementing and securing the functioning of the internal control system. The central institution's Board approves the principles for the Group's internal control framework.

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

- Risk control
- Compliance
- Internal audit

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

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

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

The boards of the member credit institutions are responsible for arranging internal controls for their own organizations in accordance with legislation, government regulations and the internal guidelines of their own board and the Board of the central institution. The member credit institutions of the Savings Banks Amalgamation must make appropriately organized internal control a part of their daily business operations.

The central institution's executive management has a functional responsibility for the operations of the amalgamation's central institution under authorization of the Savings Banks Union Coop's Board.

At the amalgamation level, the central institution's executive management is responsible for:

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

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

Member credit institutions' solvency and its control

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

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

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

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

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

Joining the Savings Banks Amalgamation; withdrawal from membership

Members of the central institution may include credit institutions whose rules or Articles of Association are in line with the provisions of the Amalgamation Act and whose rules or Articles of Association the central institution has approved. Admission of new members is decided upon by the general meeting.

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

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

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

Financial statements and audit of the Savings Banks Group

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

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

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

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

Payment liability of the central institution and mutual responsibility of member credit institutions

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

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

Each member institution's liability for the amount that the central institution has paid to a creditor on behalf of another member institution shall be divided between the member credit institutions in proportion to their latest confirmed balance sheet totals. In each financial year, the combined annual payments collected from a member credit institution as a supporting measure to prevent another member's liquidation may not exceed, in total, five thousandths of its latest confirmed balance sheet total.

Deposit Guarantee Fund and Investors' Compensation Fund

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

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

Remuneration

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

The Savings Banks Amalgamation's decisions on the remuneration system of personnel and management are based on Chapter 8 Remuneration of the Act on Credit Institutions.

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

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

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

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

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

The central institution's executive management assists the remuneration committee, the Board and the audit committee according to its mandate. The internal audit unit of an amalgamation member credit institution or company prepares an annual assessment for the board of the credit institution or company regarding compliance with the remuneration system. The internal audit of the central institution prepares for its Board an amalgamation-level assessment of the compliance with the remuneration system based on the company assessments. Essential findings are reported to the central institutions`s audit committee and remuneration committee.

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

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

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

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

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

The salaries, wages and remuneration of the financial year are shown in the notes to the financial statements titled "Other financial information and personnel costs".

NOTE 5: RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT

General principles and objectives for risk management

The Group is a financial group comprising 25 Savings Banks and their central institution, the Savings Banks Union Coop, as well as their subsidiaries and associated companies. The Group does not form a financial and insurance conglomerate as defined in the Act on the Supervision of Financial and Insurance Conglomerates.

The member organizations of the Amalgamation form a financial entity as defined in the Amalgamations Act, in which the Savings Banks Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks Union Coop, which acts as the central institution of the Amalgamation, 25 independent, local and regional Savings Banks, the Central Bank of Savings Banks Finland Ltd, Sp Fund Management Company Ltd, as well as the companies within the consolidation groups of the above-mentioned entities.

The Savings Banks Union Coop acts as the Central Institution of the Amalgamation. According to the Amalgamation Act the Central Institution has the right to steer and the obligation to monitor the operations of the member credit institutions. The Central Institutions conducts its tasks of steering and monitoring both on the Amalgamation and member credit institution level. The Board of the Central Institution has approved the most significant risk strategies and other operating principles. It also makes decisions related to the necessary actions according to the Group's operating principles.

The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range offered is complemented with the other financial services and products provided in cooperation with the service and product companies within the Group. The most significant service and product companies of the Group are Sp Central Bank, Sp Life Insurance, Sp Fund Management Company and Sp Koti Ltd.

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

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

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

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

The Amalgamation has efficient corporate governance ensuring adequate risk management as well as adequate internal control and risk management framework. The corporate governance, internal control and risk management framework must comply with legislation and the regulations and guidelines issued by the authorities. The principles of the corporate governance are described in more detail in Note 5 Corporate governance.

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

Risk management principles and governance

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

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

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

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

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

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

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

- Risk Control
- Compliance
- Internal Audit

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

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

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

Risk management governance of the Central Institution

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

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

All significant loans or commitments including significant risk are made in accordance with collegial decision making processes, and there is lending authority limit structure in place. Internal operational guidelines are used to steer business operations and processes. Compliance with the internal guidelines as well as the updating process of the guidelines is monitored. All decisions and significant business operations are documented and archived. An essential part of risk management is executed in daily supervision. The execution of made decisions is monitored through approval and verification process, controls and reconciliations together with adequate follow-up reporting.

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

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

Capital adequacy management

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

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

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

The Board of the Central Institution has set a threshold for the capital ratio which are followed up quarterly. The long-term minimum requirement for the CET1 capital is 11,5%

Stress test

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

Capital contingency plan

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

Pillar 1 – capital requirement

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

Pillar 1 capital requirement (1 000 euros)	31.12.2014
Exposures to central governments or central banks	3
Exposures to regional governments or local authorities	22
Exposures to public sector entities	0
Exposures tu multilateral development banks	0
Exposures to international organisations	0
Exposures to institutions	11 878
Exposures to corporates	72 771
Retail exposures	56 013
Exposures secured by mortgages on immovable property	108 932
Exposures in default	3 602
Exposures associated with particularly high risk	9
Exposures in the form of covered bonds	321
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)	27 307
Equity exposures	15 294
Other items	8 750
Capital requirement for credit and counterparty credit risk	304 902
Capital requirement for credit value adjustment (CVA)	9 851
Capital requirement for market risk	3 756
Capital requirement for operational riski	31 039
Total capital requirement	349 548
Total own funds	814 349

At the end of 2014 the Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Own funds were EUR 814.3 million of which CET1 capital accounted for EUR 737.6 million. Tier 2 (T2) capital accounted for EUR 76.8 million of which EUR 43.4 million was in debentures. The capital structure of the Amalgamation does not include figures from Life Insurance business segment.

The new capital adequacy regulations brought more detail to the definitions of 'own funds' and 'total risk', i.e. risk-weighted assets. The most significant individual changes in regulations, from the point of view of the Amalgamation, relate to the financial investments made by the member banks and to amortization of debenture loans, which are no longer included in the calculation of own funds.

Own Funds (1 000 euros)	31.12.2014
Common Equity Tier 1 (CET1) capital before regulatory adjustments	796 778
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-59 220
Common Equity Tier 1 (CET1) capital	737 559
Additional Tier 1 (AT1) capital	0
Tier 1 capital (T1 = CET1 + AT1)	737 559
Tier 2 (T2) capital before regulatory adjustments	26 881
Total regulatory adjustments to Tier 2 (T2) capital	49 910
Tier 2 (T2) capital	76 791
Total capital (TC = T1 + T2)	814 349

Solvency ratio	31.12.2014
Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.9 %
Tier 1 (as a percentage of total risk exposure amount)	16.9 %
Total capital (as a percentage of total risk exposure)	18.6 %

The own funds and capital adequacy as at 31 December 2014 are presented in accordance with the EU's Capital Requirements Regulation (575/2013), which came into force on 1 January 2014.

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

Banking segment

Credit and counterparty risks

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

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

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

Management of credit risk

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

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

The credit risk strategy is supported by operational level instructions and guidelines issued by the Central Institution's Board, most important of which are credit underwriting policy, collateral guidelines, guidelines for the recognition and management of problem customers, and guidelines for the impairment and credit loss process. Each credit institution and other company within the amalgamation have operational level instructions and guidelines that are approved by the member credit institution's board of directors and are based on amalgamation-level guidelines.

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

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

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

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

Credit and counterparty risk (1 000 euros)	2014			
Exposure group	Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures secured by mortgages on immovable property	3 993 430			5 735 496
Retail exposures	1 382 741	280 379	33 489	1 347
Exposures to corporates	973 697	31 843	7 064	278
Exposures to institutions	634 964			
Exposures to central governments or central banks	499 757			
Exposures in the form of units or shares in collective investment undertakings (CIUs)	400 557			
Exposures in default	59 930	1 473	95	
Othe exposure groups in total *	297 510		43	
Total	8 242 586	313 696	40 691	5 737 122

*) The biggest six exposure groups are presented in the table including exposures in default. Other exposure groups presented in total.

Lending to private customers

The loan portfolio of the Banking segment was EUR 5 649 million at the end of 2014. The lending to private customers was 71%, to corporate customers 19% and to agricultural and others customers 10%.

Breakdown of loans by customer groups
(1000 eur)

Customer group	31.12.2014
Private customers	4 020 448
SME corporate customers	1 064 839
Agricultural and other customers	564 037
Total	5 649 324

The mortgage lending was EUR 3 689 million at the end of 2014 with growth of 7.7% during the year.

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

The lending to the private customers is operated via the balance sheets of the Savings Banks excluding the Visa credit cards operated by Nets Ltd. The credit card issuance service together with existing credit card loan portfolio will be transferred to Sp Central Bank during the year 2015.

Loan classification

The credit worthiness of a private customer is based on the local Savings Banks' comprehensive customer knowledge and the assessment of the customers' ability to pay. The credit decision is mainly based on the customers' sufficient repayment ability. The customers' ability to pay, the credit scoring of the application together with the loan-to-value ratio forms the basis for the credit decision and the risk-based pricing. The outstanding loans are classified using the behavioral scoring model taking into account the changes in the customers' payment behavior.

The currently used credit rating models will be renewed during the year 2015. The new credit scoring models for the corporate customers and agricultural customers will be implemented in spring 2015. The product specific credit scoring models to be used in the credit application process for the private customers together with the credit rating model for the private customers' outstanding lending portfolio will be renewed during the latter part of the year 2015. The new credit rating models will include 14 rating classes of which one is for defaulted customers.

Lending to corporates

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

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

The loan pricing model for the corporate and forestry and agricultural customers will be revised during the year 2015. The credit decisions and risk-based pricing of the credit are based on the analysis of customers' financial statements, customers' financial position, ability to pay, competitive positioning, credit scoring of the application and the loan-to-value ratio of the application. In addition, the impact of the intended investment on the customers' financial position is evaluated.

When implementing the new credit scoring models part of the corporate customers will be reclassified so that the self-employed entrepreneurs and sole trader currently classified as corporate customers will be reclassified into private customer group. Exception to this reclassification are those customer relationships where specific competences are required, in these cases the customer is included in the corporate customer group. Going forward the corporate customer group includes limited liability companies, joint-stock companies and limited partnerships, associations and public entities. During 2014 the Savings Banks used Suomen Asiakastieto's Rating Alfa for the credit scoring of the corporate customers.

SME corporate lending by rating distribution
(Suomen Asiakastieto)
(1000 eur)

Rating	31.12.2014
AAA	3.7 %
AA+	16.6 %
AA	11.5 %
A+	20.4 %
A	24.1 %
AN	0.1 %
B	9.9 %
C	7.0 %
D	1.0 %
Non-performing/defaulted	5.7 %
Total	100.0 %

Branch distribution of corporate stock
(1000 euros)

Branch	31.12.2014
Basic industries, fisheries and mining	7.7 %
Industry	7.8 %
Energy, water and waste disposal	2.0 %
Construction	10.3 %
Trade	9.3 %
Hotels and restaurants	4.1 %
Transport	5.0 %
Financing	1.4 %
Property	41.2 %
Research, consulting and other business service	6.1 %
Other services	5.2 %
Total	100.0 %

Concentration risks

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

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

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

The largest counterparties of the Amalgamation are Aktia Bank plc and Aktia Real Estate Mortgage Bank. The exposures to these counterparties stem from the long cooperation over the years and the exposures will decrease in accordance to the maturities of the existing contracts together with the gradual wind-down of the operations of Aktia Real Estate Mortgage Bank.

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

Payments in arrears

For non-performing loans loan balance or interest has been expired and unpaid over 90 days. The non-performing loans of the Amalgamation levelled with the previous year and were approx. 0.95% of the loan portfolio. The non-performing loans for the private customers were 0.67% of the total lending. Payment delays (30 - 90 days) were EUR 65,5 million compared to the previous year. In certain circumstances if the customer would otherwise face financial difficulties in the future the customer may be granted a change in the terms and conditions of the loan, for example interest-only period or restructuring the loan. The reason for these arrangements is to ensure the customers' ability to pay and avoid possible credit losses. The prerequisite for granting any forbearance measures to the loans is that the customers' financial difficulties are estimated to be short-termed and temporary. The Amalgamations forbearance in total was EUR 79.8 million.

Payment delays and non-performing loans (1 000 euros)	31.12.2014	Share (%)
Payment delays (30-90 days)	65 473	1.16 %
Loans unlikely to be paid	6 409	0.11 %
Non-performing loans		
Non-performing loans 90-180 days	10 312	0.18 %
Non-performing loans 180 days - 1 year	9 140	0.16 %
Non-performing loans > over 1 year	34 438	0.61 %
Forbearance in total	79 824	1.41 %

*Figures for 2014 are presented according to the EBA definition. The comparison figures for 2013 have not been adjusted accordingly.

Impairments on loans and other receivables

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

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

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

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

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

Impairment losses on loans and receivables were EUR 27.6 million. Individual impairments were in total EUR 21.9 million and collective impairments were in total EUR 5.7 million. Collective impairments for private customers were EUR 1.6 million and collective impairments for SME and forestry and agricultural customers were EUR 4.1 million. Impairment losses on loans and other receivables were 0.5% of the total loan portfolio.

Private customers' share of the collective impairments was 24% and SME and forestry and agricultural was 76%. The increase in impairments is primarily due to the group companies harmonizing their recording of impairments.

Impairment losses on loans and other receivables (1 000 euros)	Measured by individual contract	Measured by group	Total
Impairments 1 January 2014	16 710	311	17 021
+ increase in impairment losses	10 235	5 387	15 623
- reversal of impairment losses	-2 392		-2 392
- final write-offs	-2 691		-2 691
Impairments 31 December 2014	21 862	5 698	27 560

Changes in the carrying amount of impaired loans and receivables (1 000 euros)	31.12.2014
Impaired loans and receivables 1 January	34 373
Loans and receivables classified as impaired during the year	7 341
Reversals for impaired receivables during the year	-1 202
Impaired loans and receivables 31 December	40 512

Market risk

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

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

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

Investment and liquidity portfolios

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

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

Investment portfolio (1 000 euros)	31.12.2014 Fair value	Share (%)
Debt securities	712 848	51 %
Other securities	163 423	12 %
Shares	91 354	7 %
Share funds	94 193	7 %
Mixed funds	33 823	2 %
Interest funds	263 284	19 %
Hedge funds	4 525	0 %
Structured investments	32 330	2 %
Other investments	3 483	0 %
Properties	41 707	0 %
Total	1 440 969	100 %

Equity risk arises primarily from the liquidity and investment portfolios of member credit institutions. At the Amalgamation level, approximately 68% of the equity portfolio consists of equity holdings necessary for operations, currently Aktia Mortgage Bank's A and B shares and Samlink ltd A shares. Other equity holdings consists mainly of publicly listed shares.

Equity portfolio (1 000 euros)	31.12.2014
Listed shares	19 516
Un-listed shares	71 838
Total	91 354

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

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

Market risk management

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

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

Interest rate risk in the banking book

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

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

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

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

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

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

The Amalgamation's interest rate risks are measured monthly, using both the net interest income and the change in the present value of the balance sheet. The current value method measures how much the fair value of the balance sheet changes when interest rates change, and the market value of each balance sheet item is expected to equal the present value of the cash flows generated by such instrument. The income risk model predicts the future net interest income over one year with changing market interest rates.

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

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

Change in net interest income

(1 000 euros) Period	31.12.2014 Down	Up
Change in the coming 12 months	-3 754	10 181
Change in 12-24 months	-5 980	21 062

Liquidity risk

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

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

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

During 2014 a significant portion of the investment portfolio was transformed into investments eligible for the liquidity portfolio. This had the effect of improving the amalgamation's liquidity, but lowering the expected net interest income.

On 31 December 2014 the amalgamation had 710 million euros (before haircuts) of LCR eligible liquid assets of which 75 % were notes and coins and reserves held in the Bank of Finland, 16 % were level 1 assets issued by governments and multinational organizations and 9 % were other assets. The amalgamation's LCR was 141 % on 31 December 2014.

Liabilities 2014 (1 000 euros)	Total	< 3 mo	3-12 mo	1-5 years	> 5 years
Due to credit institutions and central banks	448 359	206 359	111 124	114 230	16 646
Amounts owed to customers and public entities	5 743 621	4 414 806	1 014 800	306 890	7 125
Debt securities in issue	446 483	72 336	111 282	260 189	2 676
Subordinated liabilities	169 474	600	47 364	121 510	0
Financial liabilities total	6 807 937	4 694 101	1 284 570	802 819	26 447
Derivatives, net cash flows	85 042	6 012	11 863	51 743	15 424

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

Liquidity risk management

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

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

The amalgamation's asset and liability committee prepares and plans the liquidity strategy for the board of directors of the central institution and monitors the strategy's implementation at the amalgamation level.

The risk control unit of the central institution is responsible for the independent monitoring of the amalgamation level limits and thresholds set in the liquidity strategy and their reporting to the central institution's management, asset and liability committee, risk committee and the board.

The key tools in monitoring liquidity risk at the amalgamation level are cash position, liquidity reserve and LCR, which applies both at the individual member bank level and the amalgamation level.

Structural liquidity risk

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

The Asset and Liability Committee may set limits and thresholds for the structural funding risk.

Real estate risk

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

Property, plant and equipment and investment property are measured at cost less depreciation and impairment. The book values and measurement at cost are described more detail in the note for investments.

Operational risk

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

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

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

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

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

Legal risks

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

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

Business risk

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

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

Asset Management and Life insurance

Asset Management

In the Group and the Amalgamation, Sp Fund Management Company is responsible for the management of fund products and provision of asset management services for the Savings Banks' portfolios as well as for our customers.

At the end of the year, the assets managed by the Sp Fund Management was EUR 1.179,2 million showing growth of 26.2% on the previous year. At the end of 2014 there was total of 19 investment funds.

Life insurance

The main risks associated with life insurance operations are risks linked to insurance contracts and investments. The so-called technical risks associated with insurance policies include the insurance risk, interest rate risk and operating cost risk. In accordance with the Insurance Companies Act, the calculation bases applied to life insurance products are secured, meaning that, under normal circumstances, pricing based on these principles would result in a surplus for the company.

Profitability of life insurance operations 2014 (1 000 euros)	Revenue subject to risk	Claims expenditure	Claims ratio
Risk insurance	2 087	354	17.0 %
Savings and pension insurance	12 534	12 184	97.2 %
Total	14 621	12 539	85.8 %

Insurance risk

The biggest insurance risks are associated with pure risk products. These include payment protection insurance policies where the company provides protection in case of death or permanent disability. These risks are managed through insurance terms and conditions, careful selection of risk, accurate pricing and reinsurance. As to the permanent disability insurance, it is possible to raise current charges in the portfolio if the claims ratio weakens. As regards the selection of risks, we have defined clear criteria for insurance risk-taking. In the selection of risks associated with risk insurance, we follow the guidelines prepared and maintained by the reinsurer.

The amount exceeding the self-insured retention is reinsured with the reinsurance cover being conditional on the compliance with current guidelines at all times. The reinsurance principles and retention amounts are confirmed annually. At the same time, we assess the credit risk associated with the reinsurer. In life insurance operations, we apply an equalization provision to offset the variation of claims expenditure from year to year.

Interest rate risk

Interest rate risk in life insurance operations relates to the interest to be paid on either contracts or on technical provisions. For savings products, the company applies a combination of an annual interest rate, fixed annually, and an additional interest rate. This makes it possible to adapt to current market situations by adjusting the interest to be paid to customers annually based on market rates. This reduces considerably the interest rate risk associated with insurance contracts.

Operating cost risk

The load income priced into the company's products has been calculated to cover the operating cost caused by them. The load income is calculated based on the products' life cycle so that the load income from contracts is allocated over the entire lifetime of a contract. The profitability of life insurance operations by insurance type is analyzed at least once a year, serving as a base for the assessment of the level of premiums and load of the insurance policies to be granted. The analysis shows whether the risk premiums received cover risk costs, the load income covers operating costs and whether the interest payments align with the income earned. The analysis helps to monitor the adequacy of pricing by insurance type and to make any needed adjustments.

Sensitivity analysis of technical provisions

The market value of the technical provisions is affected by assumptions about biometric factors, customer behaviour, development of business expenses and risk-free interest. These factors are modelled based on national studies and internal analyses of life insurance operations and the portfolio. Risk-free interest is defined according to the Solvency II requirements.

The interest rate risk associated with technical provisions is part of the entire life-insurance interest rate risk, the other half of which consists of the interest rate risk of investments.

Sensitivity analysis of technical provisions 31.12.2014

Risk factor (1 000 euros)	Change	Effect on market-consistent technical provisions
Mortality rate	+10 %	1 169
	-10 %	416
Disability	+10 %	215
Terminability	+10 %	857
	-10 %	1 101
Business expenses	+10 %	369
Interest rate	+1 % pct. point	2 548
	-1 % pct. point	406

The above shows the sensitivity of the market value of technical provisions to various risk factors. The valu-ation of technical provisions in the financial statements is, however, not based on the market but on the IFRS 4 standard.

Investment risks

The objective of life insurance investments is to achieve a highest possible return at an acceptable risk level while managing the compliance with solvency requirements and alignment between the asset and liability structures. The most important risks are the lessening of investment value, the insufficiency of returns to cover the technical provisions requirements along with the risk associated with the reinvestment of matured assets. The risks are managed through efficient diversification while observing the restrictions concerning margin eligibility of the technical provisions margin. As a minimum, the value of the technical provisions margin must at all times equal the amount required by the provisions of the Insurance Companies Act.

Breakdown on investment assets (1 000 euros)	31.12.2014 Fair value	Share (%)
Bonds	108 757	57 %
Other money market instruments	13 825	7 %
Equities		
Developed markets	12 155	6 %
Emerging markets	3 444	2 %
Hedge funds	2 297	1 %
Structured investments	45 359	24 %
Other alternative investments	0	0 %
Real estate property	6 084	3 %
Derivatives	31	0 %
Total	191 952	100 %

Interest rate risk

The fair value of bonds and other money market instruments according to modified duration

(1 000 euros)	31.12.2014
-1	29 980
1 - 3	21 156
3 - 5	30 109
5 - 7	23 879
7 - 10	13 885
10 - 15	2 307
15 -	1 266
Total	122 582
Modified duration	3.82

Counterparty risk

Credit rating of bonds (1 000 euros)	31.12.2014
AAA	649
AA	2 914
A	19 216
BBB	24 539
BB+ or lower	55 627
No rating	5 812
Total *	108 757

* Structured investments are not rated.

Breakdown of bonds by maturity and credit rating, as of 31 Dec 2014

(1 000 euros) Years	0-1	1-3	3-5	5-7	7-10	10-	Total	Proportion %
AAA	0	0	137	38	222	253	649	0.60 %
AA	0	206	275	602	1 290	541	2 914	2.68 %
A	3 006	532	816	7 207	1 705	5 949	19 216	17.67 %
BBB	193	2 854	2 749	7 967	6 233	4 542	24 539	22.56 %
BB+ or lower	4 638	3 289	25 353	8 487	5 146	8 714	55 627	51.15 %
No rating	325	1 262	1 941	1 379	582	323	5 812	5.34 %
Total	8 163	8 143	31 271	25 680	15 178	20 322	108 757	

Breakdown by paper type.

Currency risk

Currency position (1 000 euros)	31.12.2014
EUR	172 891
USD	8 386
Other	10 675
Total	191 952

As of 31 Dec 2014, the currency of euro-hedged funds is euro. The currencies of other funds are based on the listed currencies of the securities held in each fund.

In the currency breakdown, investments in funds reported as currency-hedged are regarded as euro-denominated.

To protect parts of investment assets, derivatives may also be used for hedging purposes. The investment risk is monitored using sensitivity analysis and Value at Risk technique. The credit risk of investments is managed through issuer and counterparty limits

Sensitivity analysis of investment risks

Risk factor (1 000 euros)	Change	Effect on market value
Interest rate	+1%-point	-4 686
	-1%-point	4 686
Equities	-10 %	-1 218
Real estate property	-10 %	-608
Currency	-10 %	-1 906
Structured investments	-10 %	-4 536

Solvency

The minimum operational capital required by the Insurance Companies Act for life insurance operations was MEUR 12.2 as of 31 December 2014. At that time, the company's operational capital was MEUR 47.1, i.e. 3.9 times the required minimum.

Preparing for Solvency II taking effect as of 1 January 2016

In preparation for Solvency II, the company has developed its risk management system and solvency management. During the past year, the company focused on the development and testing of Solvency II calculations and the implementation of its principles. The regulatory solvency calculation and reporting to the authorities will begin in 2015. The company is proactive in ensuring that the Solvency II compliance is achieved before Solvency II requirements take effect.

NOTE 6: OPERATING SEGMENTS

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

The chief operating decision maker of the Savings Banks Group is the Board of 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 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 as other operations in the reconciliations.

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

The Asset Management and Life Insurance segment comprises Sp Life Insurance Ltd and Sp Fund Management Company Ltd. Sb Life Insurance Ltd practises life insurance operations, whereas Sp Fund Management Company Ltd is engaged in administration of mutual funds and asset management. 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 consolidated financial statements of the Savings Banks Group, which are presented in Note 2.

Internal transactions of the Group are eliminated within the segment if the entities are included in the same reportable segment. Internal transactions between entities which belong to different segments are included in the eliminations presented in reconciliations. 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.

Statement of financial position 31.12.2014 (1 000 euros)	Banking	Asset Management and Life Insurance	Reportable segments in total
Cash and cash equivalents	532 764	0	532 764
Assets at fair value through profit or loss	20 553	0	20 553
Loans and advances to credit institutions	193 842	7 087	200 930
Loans and advances to customers	5 650 112	0	5 650 112
Derivatives	88 705	0	88 705
Investment assets	1 217 097	0	1 217 097
Life insurance assets	0	435 887	435 887
Investments in associates and joint ventures	39 712	0	39 712
Other assets	117 213	5 344	122 557
Total assets	7 859 998	448 318	8 308 316
Liabilities to credit institutions	448 360	0	448 360
Liabilities to customers	5 824 167	0	5 824 167
Derivatives	4 227	0	4 227
Debt securities issued	446 483	0	446 483
Life insurance liabilities	0	408 364	408 364
Subordinated liabilities	168 834	1 000	169 834
Other liabilities	161 245	3 218	164 463
Total liabilities	7 053 315	412 582	7 465 897

Reconciliations:

(1 000 euros)	2014
Assets	
Total assets for reportable segments	8 308 316
Inter-segment eliminations, reportable segments	-30 099
Unallocated assets, other operations	122 327
Total assets of the Group	8 400 544
Liabilities	
Total liabilities for reportable segments	7 465 897
Inter-segment eliminations, reportable segments	-17 880
Unallocated liabilities, other operations	111 296
Total liabilities of the Group	7 559 313

NOTE 7: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(1 000 euros)	Loans and other 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
31.12.14								
Cash and cash equivalents	532 764							532 764
Financial assets at fair value through profit or loss				1 283	130 745			132 028
Loans and advances to credit institutions	201 453							201 453
Loans and advances to customers	5 648 909							5 648 909
Derivatives				88 705				
hedging derivatives				87 746				88 705
cash flow				10 366				
fair value				77 380				
other than hedging derivatives				960				960
Investment assets		1 116 250	29 876				41 707	1 187 833
Life insurance assets*		137 134		30	299 435		3 166	439 765
Total assets	6 383 125	1 253 384	29 876	90 019	430 180	0	44 873	8 231 456
Liabilities at fair value through profit or loss					111 475			111 475
Liabilities to credit institutions						448 360		448 360
Liabilities to customers						5 807 791		5 807 791
Derivatives								
hedging derivatives				4 227				4 227
cash flow				3 049				
fair value				1 178				
other than hedging derivatives								
Debt securities issued						446 484		446 484
Life insurance liabilities*					260 594	140 118	3 930	404 642
Subordinated liabilities						169 131		169 131
Total liabilities	0	0	0	4 227	372 069	7 011 884	3 930	7 392 109

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

NOTE 8: CASH AND CASH EQUIVALENTS

(1 000 euros)	31.12.2014
Cash	19 255
Receivables from Central Banks repayable on demand	513 509
Total	532 764

NOTE 9: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(1 000 euros)	31.12.14
Trading assets	
Debt securities	
Debt securities from others	478
Shares and participations	805
Total	1 283
Designated as at fair value through profit or loss on initial recognition	
Debt securities	
Debt securities entitling to funding from Central Bank	341
Debt securities from public entities	4
Debt securities from others	18 924
Shares and participations*	111 475
Total	130 745
Total financial assets at fair value through profit or loss	132 028

* The item includes the other owners' interests in the consolidated mutual funds of which more information in presented in Note 32 Entities included in consolidated financial statements.

NOTE 10: LOANS AND RECEIVABLES

(1 000 euros)	31.12.14
Loans and advances to credit institutions	
Deposits	201 453
Total	201 453
Loans and advances to customers	
By products	
Used overdrafts	75 724
Loans	5 353 186
Interest subsidized housing loans	235 053
Loans granted from government funds	7 173
Guarantees	2 458
Other receivables	2 875
Impairment losses	-27 560
Total	5 648 909

(1 000 euros)	Measured by individual contract	Measured by group	Total
Impairment losses on loans and other receivables 31 December 2014	21 862	5 698	27 560
Changes in the carrying amount of impaired financial assets			
Carrying amount of impaired loans and receivables 31 December 2014		40 512	

NOTE 11: DERIVATIVES AND HEDGE ACCOUNTING

(1 000 euros)	Nominal value / remaining maturity				Fair value	
31.12.14	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Held-for-trading						
Interest rate derivatives	10 000			10 000	157	
Credit derivatives		15 000		15 000	802	
Total	10 000	15 000	0	25 000	960	0
Hedging derivative contracts						
Fair value hedging	110 848	423 318	292 853	827 019	80 429	4 227
Interest rate derivatives	87 415	362 000	289 000	738 415	76 682	1 178
Equity and index derivatives	23 433	61 318	3 853	88 604	3 747	3 049
Cash flow hedging	41 000	15 000	50 000	106 000	7 317	
Interest rate derivatives	41 000	15 000	50 000	106 000	7 317	
Total	151 848	438 318	342 853	933 019	87 746	4 227
Derivatives total					**88 705**	**4 227**

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

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

(1 000 euros)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	2 301	4 246	1 791	**8 339**

NOTE 12: INVESTMENT ASSETS

(1 000 euros)	31.12.14
Available-for-sale financial assets	
Debt securities	692 381
Shares and participations	423 869
Total	1 116 250
Held-to-maturity investments	
Debt securities	29 876
Total	29 876
Investment property	41 707
Total investment assets	**1 187 833**

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

31.12.2014 (1 000 euros)	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	631 161	422 562		422 562	26 264	1 079 986
From public entities	133 015			0	22 653	155 667
From others	498 146	422 562		422 562	3 611	924 318
Other	61 220		1 307	1 307	3 612	66 140
From others	61 220		1 307	1 307	3 612	66 140
Total	692 381	422 562	1 307	423 869	29 876	1 146 126

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

(1 000 euros)	Debt securities	Shares and participations	Total
Impairment loss on available-for-sale financial assets 31 December 2014	1 267	1 198	**2 465**

NOTE 13: LIFE INSURANCE ASSETS

(1 000 euros)	31.12.14
Investments	
Investment property	367
Shares	81 872
Derivatives	30
Certificates of deposit	9 987
Bonds	38 318
Index loans	45 359
Unquoted investments	1 120
Private equity investments	5 837
Total	182 890
Investments covering for unit-linked policies	
Investment funds	187 314
Varainhoitosalkut	48 098
Asset management portfolio	18 664
Total	254 076
Total investments	**436 966**
Other assets	
Other receivables	570
Accrued income	2 229
Total	2 799
Total life insurance assets	**439 765**
Life insurance investments	
Financial assets at fair value through profit or loss	
Debt securities	45 359
Shares	254 076
Derivative contracts	30
Total	299 465
Available-for-sale financial assets	
Debt securities	48 305
Shares and participations	88 829
Total	137 134
Investment property	
Buildings	367
Total	367
Total investments	436 966

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.

(1 000 euros)	31.12.14		
	Debt securities	Shares and participations	Derivatives
Quoted	42 886	254 076	30
Other	2 473		
Total	45 359	254 076	30

Available-for-sale life insurance financial assets

31.12.14 (1 000 euros)	Available-for-sale debt securities	Available-for-sale shares and participations		
	At fair value	At fair value	At cost*	Total
Quoted	38 318	82 947		82 947
From others	9 987	3 632	2 250	5 882
Total	48 305	86 579	2 250	88 829

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

NOTE 14: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Interests in associates

Information on the material associates of the Group:

Name	Domicile	Sector	Ownership (%) 31.12.2014	Share of votes (%) 31.12.2014
Oy Samlink Ab	Espoo	Software design and manufacturing	42.00	44.70
Aktia Real Estate Mortgage Bank Plc	Helsinki	Lending	31.61	16.08

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

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

The investments in associated companies mentioned above are measured in the consolidated financial statements using the equity method.

Summarised financial information about material associates based on the companies' own financial statements:

(1 000 euros)	Samlink 2014	Aktia Real Estate Mortgage Bank 2014
Total assets	30 598	2 232 138
Total liabilities	16 172	2 095 915
Revenue	96 731	-
Total operating revenue	96 769	8 452
Profit or loss	2 857	5 170
Other comprehensive income	0	-232
Total comprehensive income	2 857	4 938
Dividends received from the associate during the period	618	182
Reconciliation of the summarised financial information of the associate to the carrying amount in the Group's statement of financial position:		
Net assets of the associate	14 426	136 224
Group ownership	42.00%	31.61%
Adjustments	1 470	3 348
Carrying amount of the associate in the Group's statement of financial position	4 589	39 712

Joint arrangements

The Savings Banks Group has no material joint arrangements.

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

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

Name	Domicile	Ownership 2014
Kiinteistö Oy Ikaalisten Säästökeskus	Ikaalinen	90.80 %
Asunto Oy Salamankulma	Turku	37.01 %
Kiinteistö Oy Liedon Liikekeskus	Lieto	85.70 %
Kt Oy Lohjan Pankkitalo	Lohja	100.00 %
Koy Iisalmen Pohjolankatu 6	Iisalmi	100.00 %

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

(1 000 euros)	31.12.2014
Owner-occupied property	
Land and water	952
Buildings	49 021
Machinery and equipment	5 119
Other tangible assets	843
Advance payments and construction in progress	17
Total property, plant and equipment	55 953

31.12.2014 (1 000 euros)	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 31 December	79 260	33 250	1 659	17	114 187
Accumulated depreciation and impairments 31 December	-29 287	-28 131	-816	0	-58 233
Carrying amount 31 December	49 974	5 119	843	17	55 953

There are no significant ownership restriction related to the property, plant and equipment owned by the Group.

NOTE 16: INTANGIBLE ASSETS

(1 000 euros)	31.12.2014
Intangible rights	10 369
Authorisation	269
Other intangible assets	3 402
Intangible assets under development	4 471
Total	18 511

The impairment testing of intangible assets not yet available for use have been performed by using market based approach and there was no indicators of impairment.

(1 000 euros) 31.12.2014	Intangible rights	Authorisation	Other intangible assets	Intangible assets under development	Total
Acquisition cost 31 December	17 411	2 150	16 266	4 471	40 298
Accumulated depreciation and impairments 31 December	-7 041	-1 881	-12 865	0	-21 788
Carrying amount 31 December	10 369	269	3 402	4 471	18 511

NOTE 17: DEFERRED TAXES

Deferred taxes (1 000 euros)	31.12.2014
Deferred tax assets	2 725
Income tax receivable	478
Tax assets	3 203
Deferred tax liabilities	70 822
Income tax liability	5 271
Tax liabilities	76 093

Deferred tax assets (1 000 euros)	31.12.2014
Financial assets	989
Cash flow hedges	47
Property, plant and equipment	846
Defined benefit pension plans	388
Approved tax losses	455
Total	2 725

The unused tax losses of the Savings Banks Group amount to EUR 1.5 million, for which no deferred tax assets have been recognised. The losses expire in 2021-2024.

In addition the Group has applied for an exemption from Uusimaa corporate tax office to deduct the unused tax losses of Central Bank of Savings Banks Finland Ltd from years 2009-2013 (EUR 13.1 million). An exemption is needed if more than 50 percentage of the shares have been sold. The Group aqcuired 80.16% of the shares of Central Bank of Savings Banks Finland in April 2013.

Deferred tax liabilities (1 000 euros)	31.12.2014
Appropriations	51 189
Financial assets	13 301
Cash flow hedges	1 206
Intangible assets	2 538
Property, plant and equipment	2 588
Total	70 822

NOTE 18: OTHER ASSETS

(1 000 euros)	31.12.2014
Payment transfer receivables	126
Accrued income and prepaid expenses	
Interest	33 073
Other accrued income and prepaid expenses	10 265
Other	3 655
Total	47 119

NOTE 19: FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(1 000 euros)	31.12.2014
Other financial liabilities at fair value through profit or loss*	111 475
Total	111 475

* The item includes the other owners' interests in the consolidated mutual funds of which more information in presented in Note 32 Entities included in consolidated financial statements.

NOTE 20: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(1 000 euros)	31.12.2014
Liabilities to credit institutions	
Liabilities to Central Banks	90 000
Liabilities to credit institutions	358 360
Total	448 360
Liabilities to customers	
Deposits	5 723 180
Other financial liabilities	7 928
Change in the fair value of deposits	76 683
Total	5 807 791
Total liabilities to credit institutions and customers	**6 256 150**

NOTE 21: DEBT SECURITIES ISSUED

(1 000 euros)	31.12.2014
Bonds	279 162
Other	
Certificates of deposit	167 320
Other	1
Total	446 484

NOTE 22: LIFE INSURANCE LIABILITIES

(1 000 euros)	31.12.2014
Other than unit-linked contract liabilities	
Guaranteed-interest insurance contracts	140 118
Unit-linked contract liabilities	
Liabilities for unit-linked insurance contracts	242 130
Liabilities for unit-linked investment contracts	18 464
Reserve arising from liability adequacy test	0
Other liabilities	
Accrued expenses and deferred income	3 479
Other	450
Total life insurance liabilities	404 642

Liabilities for insurance policies (1 000 euros)	Liability 2014	Number of contracts 2014	Duration 2014
Other than unit-linked contracts			
Guaranteed-interest insurance contracts			
Savings insurance			
Rate of guaranteed interest 3.5 %	2 558	22	5.7
Rate of guaranteed interest 2.5 %	16 306	288	5.3
Rate of guaranteed interest 0.0 %	103 468	4 180	6.0
Individual pension insurance			
Rate of guaranteed interest 3.5 %	1 781	54	7.8
Rate of guaranteed interest 2.5 %	5 778	428	10.1
Rate of guaranteed interest 0.0 %	8 451	1 494	19.8
Group pension insurance (defined contribution, rate of guaranteed interest 0.0 %)	856	92	8.0
Capital redemption contracts (rate of guaranteed interest 0.0 %)	460	4	2.0
Term insurance	460	30 552	7.4
Unit-linked contracts			
Unit-linked insurance contracts			
Savings insurance	178 649	8 369	7.4
Individual pension insurance	57 863	10 400	21.4
Group pension insurance	2 052	74	11.5
Capitalization agreement	3 566	25	7.6
Unit-linked investment contracts	18 464	107	9.0
Reserve arising from liability adequacy test	0		
Total	400 712	56 089	9.2

Liabilities related to insurance policies are measured in compliance with the Finnish Accounting Standards, with the exception that the equalisation provision included in the Finnish Accounting Standards is not included in the insurance contract liability. The measurement principles are described in more detail in the accounting policies (Note 2).

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

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

NOTE 23: SUBORDINATED LIABILITIES

(1 000 euros)	Average interest rate %	31.12.2014
Subordinated loans	4.00 %	297
Other		
Debentures	2.22 %	168 834
Total subordinated liabilities		169 131

More information on debenture loans is presented in Pilar III Note 39

NOTE 24: PROVISIONS AND OTHER LIABILITIES

(1 000 euros)	31.12.2014
Provisions	56 722
Other liabilities	32 299
Accrued expenses	2 090
Total	91 111

NOTE 25: CAPITAL AND RESERVES

(1 000 euros)	31.12.2014
Basic/share capital	10 343
Reserves	
Primary capital	34 475
Reserve for invested non-restricted equity	13 003
Reserve fund	68 381
Fair value reserve	35 540
Reserve for hedging instruments	4 568
Other reserves	136 158
Retained earnings	511 630
Total equity attributable to equity holders of the Group	814 099
Non-controlling interests	27 132
Total capital and reserves	841 230

Basic/share capital

This item includes the paid share capital, cooperative capital and basic capital. If share capital is wholly or partly not entered in trade register, the unregistered amount must be presented in the balance sheet separately as a sub-item of this item.

The share capital of the Savings Banks Group consists of the Savings Banks' basic capital, which is not paid back according to the Savings Bank Act § 11.

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

Primary capital

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

Share premium

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

Reserve for invested non-restricted equity

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

Reserve fund

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

Reserve mandated by the Group's Articles of Association

Reserve mandated by the Group's Articles of Association includes items which are to be presented in the reserve mandated by the Group's Articles of Association or other rules.

Fair value reserve

Fair value reserve includes items arising from fair value measurements.

Reserve for hedging instruments

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

Other reserves

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

Retained earnings

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

NOTE 26: COLLATERAL GIVEN AND RECEIVED

(1 000 euros)	31.12.2014
Collateral given	
Given on behalf of Group's own liabilities and commitments	
Pledges	63 428
Other	35 876
Other collateral given	
Pledges	14
Total colateral given	99 317
Collateral received	
Real estate collateral	5 386 150
Securities	74 180
Other	67 790
Guarantees received	69 188
Total collateral received	5 597 309

NOTE 27: OFF BALANCE-SHEET COMMITMENTS

(1 000 euros)	31.12.2014
Guarantees*	146 559
Loan commitments	193 467
Other	9 243
Total	**349 269**

* Savings banks belonging to Group have given Aktia Bank plc a guarantee as for their own debt on behalf of the savings banks which have made with Aktia Bank plc transaction account agreements on equal terms. Guarantee covers receivables that Aktia Bank plc may have due to the breach of the terms and conditions of the transaction account agreement. The cooperation with Aktia Bank plc related to the transaction accounts has ended in November 2014 when the transaction accounts of savings banks were transferred to Central Bank of Savings Banks Finland Ltd and after the transfer took place no liability can arise based on the guarantees. The agreements have also been terminated in February 2015. As of 31 December 2014 the amount of the guarantee was EUR 73.804 thousand.

NOTE 28: 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.

31.12.2014				Amounts which are not offset but are subject to enforcable master			
(1 000 euros)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				87 793	23 188	23 541	134 522
Total				87 793	23 188	23 541	134 522
Liabilities							
Derivative contracts				4 227		608	4 835
Repurchase agreements				12 852			12 852
Total				17 078	0	608	17 686

NOTE 29: 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 (Note 2). The fair values of financial instruments are primarily determined using quotations on a publicly traded market or market prices received from third parties. If quoted market prices are not available, balance sheet items are mainly measured by discounting future cash flows using market interest rates at the balance sheet date. In respect of cash and deposits payable on demand, the nominal value is considered equivalent to the fair value.

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

Fair value hierarchy

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

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

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

Transfers between levels

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

Financial assets (1 000 euros)	Carrying amount	Fair value			
31.12.2014		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	20 553	3 626	0	16 927	20 553
Life Insurance* and Asset Management	299 435	284 121	0	15 314	299 435
Other operations**	111 475	111 475	0	0	111 475
Derivatives					
Banking	88 705		84 157	4 549	88 705
Life Insurance and Asset Management	30	30	0	0	30
Available- for- sale financial assets					
Banking	1 115 868	1 001 337	13 609	100 922	1 115 868
Life Insurance and Asset Management	137 134	120 190	9 987	6 957	137 134
Other operations	382	382	0	0	382
Measured at amortised cost					
Investments held-to-maturity					
Banking	29 876	29 079	3 120	1 007	33 205
Loans and other receivables					
Banking	5 850 361	0	7 194 529	0	7 194 529
Total financial assets	7 653 820	1 550 240	7 305 294	145 675	9 001 318
Investment property					
Banking	41 707			67 487	67 487
Life Insurance and Asset Management	367			367	367
Total	**42 074**	**0**	**0**	**67 854**	**67 854**

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

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

Financial liabilities (1 000 euros)	Carrying amount	Fair value			
31.12.2014		Level 1	Level 2	Level 3	Total
At fair value through profit or loss					
Life Insurance* and Asset Management	260 594	260 594	0	0	260 594
Other operations **	111 475	111 475	0	0	111 475
Derivative contracts					
Banking	4 227		1 178	3 049	4 227
Measured at amortised cost					
Banking	6 871 765	140 947	6 266 034	495 282	6 902 263
Total financial liabilities	7 248 062	513 016	6 267 212	498 331	7 278 560

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

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

Sensitivity analysis of financial assets at level 3 (1 000 euros)	Effect of hypothetical changes' on profit		
31.12.2014	Carrying amount	Positive	Negative
At fair value through profit or loss			
Banking	16 927	874	-874
Life Insurance and Asset Management	15 314	753	-753
Derivative contracts			
Banking, assets	4 549	0	-4 549
Banking, liabilities	-3 049	3 049	0
Available-for-sale financial assets			
Banking	100 922	3 946	-3 946
Life Insurance and Asset Management	6 957	1 044	-1 044
Total	141 620	9 666	-11 165

The above table shows the sensitivity of fair value in 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 30: PENSION LIABILITIES

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

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

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

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

The plan assets include 100% qualifying insurance policies.

(1 000 euros)	31.12.2014
Present value of obligation	12 410
Fair value of plan assets	10 470
Liability in balance sheet 31 December	1 940

Actuarial assumptions	
Discount rate, %	1.79 %
Pay development, %	3.00 %
Pension increase, %	2.10 %

Sensitivity analysis -net liability

Effect of changed in assumptions on net liability in euros (1 000 euros) and %
can be seen in the table below

Change in discount rate +0,50%	-208
Change in discount rate -0,50%	238
Change in pay development +0,50%	210
Change in pay development -0,50%	-202
Change in pensions +0,50%	516
Change in pensions -0,50%	-464

Duration based on the weighted average is 16 years.

The Savings Banks Group expects to contribute approximately EUR 790 thousand to defined benefit plans in 2015.

NOTE 31: OPERATING LEASES

Savings Banks Group as lessee

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

(1 000 euros) Future minimum lease payments under non-cancellable operating leases payable	2014
Less than one year	1 625
Between one and five years	4 964
More than five years	171
Total	6 760

Savings Banks Group as lessor

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

(1 000 euros) Future minimum lease payments under non-cancellable operating leases receivable	2014
Less than one year	3 196
Between one and five years	2 273
More than five years	422
Total	5 891

NOTE 32: ENTITIES CONSOLIDATED IN GROUP'S FINANCIAL STATEMENTS

Group structure

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

Company	Domicile	
Computational parent company:		
Säästöpankki Sinetti	Orivesi	
Huittisten Säästöpankki	Huittinen	
Aito Säästöpankki Oy	Tampere	
Kalannin Säästöpankki	Uusikaupunki	
Avain Säästöpankki	Kortesjärvi	
Lammin Säästöpankki	Hyvinkää	
Liedon Säästöpankki	Lieto	
Länsi-Uudenmaan Säästöpankki	Lohja	
Mietoisten Säästöpankki	Masku	
Myrskylän Säästöpankki	Myrskylä	
Säästöpankki Optia	Iisalmi	
Helmi Säästöpankki Oy	Lahti	
Pyhärannan Säästöpankki	Pyhärant	
Someron Säästöpankki	Somero	
Suomenniemen Säästöpankki	Suomenniemi	
Sysmän Säästöpankki	Sysmä	
Ylihärmän Säästöpankki	Ylihärmä	
Eurajoen Säästöpankki	Eurajoki	
Ekenäs Sparbank	Tammisaari	
Kiikoisten Säästöpankki	Sastamala	
Kristinestads Sparbank	Lapväärtti	
Kvevlax Sparbank	Koivulahti	
Närpes Sparbank	Närpiö	
Yttermark Sparbank	Yttermark	
Subsidiaries:		**Ownership 31.12.14**
Nooa Säästöpankki	Helsinki	78.10 %
Säästöpankkien Keskuspankki Suomi Oy	Espoo	94.73 %
Sp-Rahastoyhtiö Oy	Helsinki	80.03 %
Säästöpankkiliitto osk	Espoo	100.00 %
Sp-Back Office Oy	Eurajoki	100.00 %
Sp-Taustataiturit Oy	Somero	100.00 %
Säästöpankkien Vakuusrahasto	Helsinki	80.90 %
Sp-Henkivakuutus Oy	Espoo	81.22 %
Sp-Koti Oy	Espoo	100.00 %
Säästöpankkien Holding Oy	Helsinki	80.10 %
Consolidated mutual funds:		
Säästöpankki Kassa	Helsinki	52.06 %
Säästöpankki Yrityslaina	Helsinki	43.81 %
Säästöpankki High Yield	Helsinki	74.36 %
Säästöpankki Lyhytkorko	Helsinki	39.88 %
Most significant real estate companies:		
Fast Ab Bankborg	Koivulahti	100 %
Fast Ab Kvevlax Affärshus	Koivulahti	65.90 %
Koy Säästö-Erkko	Orimattila	64.58 %
Kiinteistö Oy Toritammi-Torgeken Fastighets Ab	Kaskinen	56.00 %
Kiinteistö Oy Eräjärven Pankkitalo	Eräjärvi	100 %
Kiinteistö Oy Oriveden Läsimäki	Orivesi	94.22 %

Significant restrictions

Significant restrictions are associated with the Savings Banks' Guarantee Fund, concerning the Group's ability to access the assets of the Guarantee Fund and to use them, for example, to settle its liabilities. The carrying amount of the assets of the Savings Banks' Guarantee Fund is EUR 24.527 thousand, and the vast majority of these funds are included under the item "Other assets" in the Group's consolidated financial statements. The equity funds of the Guarantee Fund, in turn, are consolidated under the item "Other reserves" in the Group's financial statements. The retained earnings of the Guarantee Fund are consolidated in Group earnings.

Savings Banks have been members of the Savings Banks Guarantee Fund. The Guarantee Fund's mission has been to safeguard the operating stability of its members. Within the Amalgamation the members no longer need a separate guarantee fund, since the Amalgamation's central institution is able to provide the member banks with the equivalent support. Consequently, the Guarantee Fund's delegation decided on 16 October 2014 that the fund would be dissolved and the monetary assets would be returned to the member banks. The total amount of the funds to be returned to the Guarantee Fund's member banks is approximately EUR 24.4 million, of which approximately EUR 20.0 million belongs to the members of the Amalgamation.

The Guarantee Fund will wind up its operations in spring 2015 when the Fund delegation approves the final accounts for the dissolution.

Non-controlling interests in subsidiaries

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

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

Subsidiary	Domicile	Non-controlling ownership (%) 2014	Equity allocated to non-controlling interests (1 000 euros) 2014
Nooa Säästöpankki Oy	Helsinki	21,90	8 805
Central Bank of Savings Banks Finland Ltd	Espoo	5,27	2 442
Sp Life Insurance Ltd	Espoo	18,78	9 358

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

(1 000 euros)	Nooa Säästöpankki Oy 2014	Central Bank of Savings Banks Finland Ltd 2014	Sp Life Insurance Ltd 2014
Loans and advances	496 404	655 511	3 769
Life insurance assets	0	0	435 887
Other assets	131 897	58 556	2 266
Liabilities	587 158	667 761	409 061

In addition, the Savings Banks Group includes companies with non-controlling interest in ownership is 5.78-44.00% and non-controlling interest in equity EUR 6,444 thousand. None of these companies is considered to be individually material.

Consolidated structured entities

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

The structured entities within the Group's sphere of influence are mutual funds managed by Sp-Fund Management Company, which is part of the amalgamation of Savings Banks. As Sp-Fund Management Company acts as the manager of the mutual funds, the Group is considered to have power over the mutual funds whereby it is able to affect the amount of returns received. The Group has determined the scope of consolidation to include the mutual funds where the ownership of the entities of the amalgamation exceeds 40% as a longer-term investment. The entities of the amalgamation must have owned more than 40% of the fund for more than half a year before the fund is consolidated. Four mutual funds were consolidated in the Group's financial statements on 31 December 2014.

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

(1 000 euros)	Total assets 31.12.2014	Total liabilities 31.12.2014
Total mutual funds	206 726	111 475

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

Associates and joint ventures

Information about the Savings Banks Group's investments in associates and joint ventures is presented in Note 14 "Investments in associates and joint ventures'.

NOTE 33: INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The table below presents financial information about the structured communities which are not consolidated in the Group's financial statements, as well as the Group's investment in these entities and the maximum exposure to loss. These entities are mutual funds managed by Sp-Fund Management Company, which is part of the amalgamation of Savings Banks. Four of the mutual funds of Sp Fund Management Company in which the Group has invested in are consolidated in the Group's financial statements, while 15 mutual funds are excluded from consolidation. The liabilities presented below represent the shareholders' liabilities to both entities within the group and other owners.

	31.12.2014			
(1 000 euros)	Total assets	Total liabilities*	Group investment	Maximum exposure to loss
Total mutual funds	972 510	972 510	76 956	76 956

* Debt to investors

All holdings in mutual funds are classified as available-for-sale.

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

NOTE 34: 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, 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.

Transactions with related parties 31.12.2014 (1 000 euros)	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	4 681	920	131 791	137 393
Other receivables	113	6	388	388
Total assets	4 794	926	132 179	137 781
Liabilities				
Deposits	3 736	1 883	2 236	7 854
Other liabilities	280	145		425
Total liabilities	4 015	2 028	2 236	8 279
Off balance-sheet commitments				
Loan commitments	111	102	4 500	4 713
Guarantees	27			27
Total	138	102	4 500	4 740

* including key management personnel and their close family members

** including entities which the key management personnel or their close family members control or have shared control

NOTE 35: SUBSEQUENT EVENTS

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

NOTE 36: FIRST-TIME ADOPTION OF IFRS

Since the Savings Banks Group is a completely new legal entity, the Group has not previously prepared consolidate financial statements according to FAS (Finnish Accounting Standards). Consequently, it is not possible to present a reconciliation of FAS and IFRS statements of financial position prepared at 31 December 2014.

The formation and structure of the Group is described in more detail in Note 2 "Accounting policies".

The financial statements were prepared in accordance with the accounting policies presented in Note 2. The Savings Banks Group has applied the exemption in IFRS 1 First-time Adoption of International Financial Reporting Standards relate IFRS 3 Business Combinations and has applied IFRS 3 to business combinations occurring after 1 January 2013.

Consolidated statement of financial position 31 December 2014 (1 000 euros)	IFRS 31.12.2014
ASSETS	
Cash and cash equivalents	532 764
Financial assets at fair value through profit or loss	132 028
Loans and advances to credit institutions	201 453
Loans and advances to customers	5 648 909
Derivatives	88 705
Investment assets	1 187 833
Life insurance assets	439 765
Investments in associates	44 301
Property and equipment	55 953
Intangible assets	18 511
Tax assets	3 203
Other assets	47 119
Total assets	8 400 544
LIABILITIES AND EQUITY	
Liabilities at fair value through profit or loss	111 475
Liabilities to credit institutions	448 360
Liabilities to customers	5 807 791
Derivatives	4 227
Debt securities issued	446 484
Life insurance liabilities	404 642
Subordinated liabilities	169 131
Tax liabilities	76 093
Provisions and other liabilities	91 111
Total liabilities	7 559 313
Basic/share capital	10 343
Retained earnings	292 125
Reserves	511 630
Total equity attributable to equity holders of the Group	814 099
Non-controlling interests	27 132
Total equity	841 230
Total equity and liabilities	8 400 544

NOTE 37: SUMMARY OF REGULATORY CAPITAL, RWA AND CAPITAL RATIOS

Pillar III disclosure information

The Pillar III disclosure information regarding risk management objectives and policies of the Savings Bank Group are descriped in the Risk Management and Capital adequacy management note. Corporate governance disclosure information and remuneration are included to the Corporate Governance note. The Amalgamation's consolidated capital adequacy, own funds and capital requirement are presented according to the EU Regulation No 575/2013 in notes 37-47.

The Amalgamation comprises the Savings Banks Union Coop, which acts as the central institution of the Amalgamation, 25 Savings Banks, the Central Bank of Savings Banks Finland Ltd, 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 foreignh exchange position.

Capital adequacy's main items (1 000 euros)	31.12.2014
Own Funds	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	796 778
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-59 220
Common Equity Tier 1 (CET1) capital	**737 559**
Additional Tier 1 (AT1) capital before regulatory adjustments	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	0
Additional Tier 1 (AT1) capital	**0**
Tier 1 capital (T1 = CET1 + AT1)	**737 559**
Tier 2 (T2) capital before regulatory adjustments	43 403
Total regulatory adjustments to Tier 2 (T2) capital	33 388
Tier 2 (T2) capital	**76 791**
Total capital (TC = T1 + T2)	**814 349**
Risk weighted assets	**4 369 355**
of which: credit and counterparty risk	3 811 274
of which: credit valuation adjustment (CVA)	123 140
of which: market risk	46 954
of which: operational risk	387 988
Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.88 %
Tier 1 (as a percentage of total risk exposure amount)	16.88 %
Total capital (as a percentage of total risk exposure amount)	18.64 %

NOTE 38: TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE

1 000 eur EBA		(A) Amount at disclosure date	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	44 670	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Ordinary shares	44 670	EBA list 26 (3)	
2	Retained earnings	452 435	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves)	244 306	26 (1)	
3a	Funds for general banking risk	0	0 26 (1) (f)	
4	Amount of qualifying items referred to in Article 483 (3) and the related share premium accounts subject to phase out from CET1	0	0 486 (2)	6 912
	Public sector capital injections grandfathered until 1 january 2018		483 (2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	53 792	26 (2)	
6	**Common Equity Tier 1 (CET1) capital bedore regulatory adjustments**	795 204		6 912
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjutments (negative amount)	-4 636	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-19 622	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amounts)		36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b) (c)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	

18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15 % threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		36 (1) (l)	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-33 388		
	Of which...filter for unrealised gain 1	-33 388	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36 (1) (j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-57 645		0
29	Common Equity Tier 1 (CET1) capital	737 559		6 912
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		51, 52	
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486 (3)	1 138
	Public sector capital injections grandfathered until 1 january 2018		486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued bu subsidiaries and held by third parties		85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase out		486 (3)	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0		1 138
	Additional Tier 1 (AT1) capital: ragulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	

39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477 (3), 477 (4) (a)	
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		0
44	Additional Tier 1 (AT1) capital	0		1 138
45	Tier 1 capital (T1 = CET1 + AT1)	737 559		8 050
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	26 881	62, 63	1 688
47	Amount of quolifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	16 522	486 (4)	
	Public sector capital injections grandfathered until 1 january 2018		483 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or issued by subsidiaries and held by third parties		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)	
50	Credit risk adjustments		62 (c) & (d)	
51	Tier 2 (T2) capital before regulatory adjustments	43 403		1 688
	Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	

54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0		
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	66 (d), 69, 79, 477 (4)	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	33 388	467, 468, 481	
57	Total regulatory adjustments to Tier 2 (T2) capital	33 388		0
58	Tier 2 (T2) capital	76 791		1 688
59	Total capital (TC = T1 + T2)	814 349		9 738
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)			
60	Total risk weighted assets	4 369 355		
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16,88	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	16,88	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure)	18,64	92 (2) (c)	
	Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	39 585	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	65 782	36 (1) (i), 45, 48, 470, 472 (11)	

	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 - 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	0	484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase ous arrangements		484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements	16 522	484 (5), 486 (4) & (5)
85	Amount exscluded from T2 due to cap (excess over cap after redemptions and maturities)	-4 130	484 (5), 486 (4) & (5)

NOTE 39: ISSUED TIER 2 (T2) INSTRUMENTS RECOGNISED IN REGULATORY CAPITAL

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

(1 000 euros) Issuer	ISIN	Interest rate	Maturity	Amount recognised in regulatory capital 2014	Balance sheet 2014
Aito Säästöpankki	FI4000102686	2,500	12.11.19	7 785	8 000
Aito Säästöpankki	FI4000013347	3,250	24.5.15	800	1 000
Aito Säästöpankki	FI4000024344	3,750	24.5.16	1 600	2 000
Avain Säästöpankki and Ylihärmän Säästöpankki	FI4000099320	2,550	15.10.19	3 831	4 000
Eurajoen Säästöpankki	FI4000092606	3,000	2.6.19	853	5 513
Eurajoen Säästöpankki	FI4000041470	1,090	2.4.15	136	1 714
Helmi Säästöpankki Oy	FI4000014352	3,500	2.7.15	176	220
Helmi Säästöpankki Oy	FI4000032982	0,586	21.11.16	640	800
Huittisten Säästöpankki	FI4000071543	2,850	18.11.18	1 116	5 000
Huittisten Säästöpankki	FI4000013206	0,833	24.5.15	285	357
Huittisten Säästöpankki	FI4000024112	0,883	23.5.16	989	1 237
Huittisten Säästöpankki	FI4000018825	0,836	22.11.15	705	881
Huittisten Säästöpankki	FI4000031547	0,586	21.11.16	989	1 237
Kalannin Säästöpankki	FI4000018221	0,842	28.9.15	320	400
Kalannin Säästöpankki	FI4000031059	0,584	5.10.16	640	800
Kalannin Säästöpankki	FI4000108584	2,500	24.11.19	2 939	3 000
Liedon Säästöpankki	FI4000013396	0,836	17.5.15	715	893
Liedon Säästöpankki	FI4000024146	0,736	18.5.16	1 381	1 726
Liedon Säästöpankki	FI4000096896	2,500	26.8.19	2 057	2 211
Liedon Säästöpankki	FI4000019112	0,584	17.11.15	936	1 170
Liedon Säästöpankki	FI4000031604	0,486	21.11.16	1 632	2 040
Myrskylän Säästöpankki	FI4000099353	3,000	26.9.19	1 568	1 655
Myrskylän Säästöpankki	FI4000029400	3,250	21.9.16	577	721
Nooa Säästöpankki Oy	FI0002002577	2,083	18.9.17	272	500
Nooa Säästöpankki Oy	FI4000090287	2,750	14.6.19	2 191	2 461
Nooa Säästöpankki Oy	FI4000108477	2,750	10.12.19	1 304	1 319
Nooa Säästöpankki Oy	FI4000108469	3,000	10.12.19	1 451	1 468
Someron Säästöpankki and Avain Säästöpankki	FI4000013446	3,250	18.5.15	1 120	1 400
Someron Säästöpankki, Avain Säästöpankki and Ylihärmän Säästöpankki	FI4000024377	3,500	16.5.16	2 880	3 600
Someron Säästöpankki	FI4000104823	2,500	14.11.19	1 513	1 553
Total				43 403	58 876

Commission implementing regulation (EU) No 1423/2013		AITD025019	AITD032515	AITD037516	AVAD0255019	EURDVAIH19	EURDVAIHA5	HSPD035015	HSPDVAIH16
1	Issuer	Aito Säästöpankki	Aito Säästöpankki	Aito Säästöpankki	Avain Säästöpankki and Ylihärmän Säästöpankki	Eurajoen Säästöpankki	Eurajoen Säästöpankki	Helmi Säästöpankki Oy	Helmi Säästöpankki Oy
2	Unique identifier (ISIN)	FI4000102686	FI4000013347	FI4000024344	FI4000099320	FI4000092606	FI4000041470	FI4000014352	FI4000032982
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]
5	Post-transitional CRR rules	[N/A]	[T2]	[T2]	[N/A]	[N/A]	[T2]	[T2]	[T2]
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63
8	Amount recognised in regulatory capital	7 785	800	1 600	3 831	853	136	176	640
9	Nominal amount of instrument	8 000	1 000	2 000	4 000	5 513	1 714	200	800
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability amortised cost	Liability amortised cost	Liability amortised cost	Liability amortised cost	Liability amortised cost	Liability amortised cost	Liability amortised cost	Liability amortised cost
11	Original date of issuance	12.8.14	24.5.10	24.5.11	23.6.14	2.6.14	2.4.12	2.7.10	21.11.11
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	12.11.19	24.5.15	24.5.16	15.10.19	2.6.19	2.4.15	2.7.15	21.11.16
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Floating	Fixed to floating	Fixed	Fixed to floating
18	Coupon rate and any related index	2.5 %	3.25 %	3.75 %	2.55 %	Floating Euribor 12-month + 2.0 % (minimum rate 3.0 %)	Fixed 2.50 % (first year), thereafter Euribor 12-month + 0,5 %	3.5 %	Fixed 3.0 % (first year), thereafter 12- month + 0.25 %
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital

Commission implementing regulation (EU) No 1423/2013		HUID028518	HUIDVAIH15	HUIDVAIH16	HUIDVAIHA5	HUIDVAIHA6	KALDVAIH15	KALDVAIH16	KALDVAIH19
1	Issuer	Huittisten Säästöpankki	Huittisten Säästöpankki	Huittisten Säästöpankki	Huittisten Säästöpankki	Huittisten Säästöpankki	Kalannin Säästöpankki	Kalannin Säästöpankki	Kalannin Säästöpankki
2	Unique identifier (ISIN)	FI4000071543	FI4000013206	FI4000024112	FI4000018825	FI4000031547	FI4000018221	FI4000031059	FI4000108584
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]
5	Post-transitional CRR rules	[N/A]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[N/A]
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	1 116	285	989	705	989	320	640	2 939
9	Nominal amount of instrument	5 000	357	1 237	881	1 237	400	800	3 000
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	18.11.13	24.5.10	23.5.11	22.11.10	21.11.11	28.9.10	5.10.11	24.9.14
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	18.11.18	24.5.15	23.5.16	22.11.15	21.11.16	28.9.15	5.10.16	24.11.19
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	2.85 %	Fixed 2.50 % (first year), thereafter floating Euribor 12-month + 0.25 %	Fixed 3.30 % (first year), thereafter floating Euribor 12-month + 0.3 %	Fixed 2.85 % (first year), thereafter floating Euribor 12-month+ 0.5%	Fixed 3.0% (first year), thereafter floating Euribor 12-month + 0.25%	Fixed 2.5% (first year), thereafter floating Euribor 12-month + 0.5%	Fixed 3.0% (first year), thereafter floating Euribor 12-month+ 0.25%	Fixed 2.5% (first year), thereafter floating Euribor 12-month + 0.5% (minimum rate 2.5 %)
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Commission implementing regulation (EU) No 1423/2013		LIEDVAIH15	LIEDVAIH16	LIEDVAIH19	LIEDVAIHA5	LIEDVAIHA6	MYRD030019	MYRD032516
1	Issuer	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Myrskylän Säästöpankki	Myrskylän Säästöpankki
2	Unique identifier (ISIN)	FI4000013396	FI4000024146	FI4000096896	FI4000019112	FI4000031604	FI4000099353	FI4000029400
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]
5	Post-transitional CRR rules	[T2]	[T2]	[N/A]	[T2]	[T2]	[N/A]	[T2]
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63
8	Amount recognised in regulatory capital	715	1 381	2 057	936	1 632	1 568	577
9	Nominal amount of instrument	893	1 726	2 211	1 170	2 040	1 655	721
9a	Issue price	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	17.5.10	18.5.11	26.5.14	17.11.10	21.11.11	26.6.14	21.9.11
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	17.5.15	18.5.16	26.8.19	17.11.15	21.11.16	26.9.19	21.9.16
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed
18	Coupon rate and any related index	Fixed 3.0% (first year), thereafter floating Euribor 12-month+ 0.25%	Fixed 3.5% (first year), thereafter floating Euribor 12-month+ 0.15%	12 kk Euribor + 0.50% (minimum rate 2.50 %)	Fixed 3.30 % (first year), thereafter floating Euribor 12-month + 0.25 %	Fixed 3.50% (first year), thereafter floating Euribor 12-month + 0.15 %	3.0%	3,25 %
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	[pakollinen]	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Commission implementing regulation (EU) No 1423/2013		NOOADEB2012	NOSD027519	NOSDVAIH19	NOSDVAIH19A	PARD032515	PARD035016	SSPDVAIH19	Share capital
1	Issuer	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Someron Säästöpankki and Avain Säästöpankki	Someron Säästöpankki, Avain Säästöpankki and Ylihärmän Säästöpankki	Someron Säästöpankki	Säästöpankit
2	Unique identifier (ISIN)	FI0002002577	FI4000090287	FI4000108477	FI4000108469	FI4000013446	FI4000024377	FI4000104823	N/A
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[CET1]
5	Post-transitional CRR rules	[N/A]	[N/A]	[N/A]	[N/A]	[T2]	[T2]	[N/A]	[CET1]
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 28
8	Amount recognised in regulatory capital	272	2 191	1 304	1 451	1 120	2 880	1 513	44 670
9	Nominal amount of instrument	500	2 461	1 319	1 468	1 400	3 600	1 553	44 670
9a	Issue price	99,773333	100	100	100	100	100	100	N/A
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	N/A
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders' equity
11	Original date of issuance	18.9.07	14.4.14	10.9.14	10.9.14	18.5.10	16.5.11	14.8.14	N/A
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Perpetual
13	Original maturity date	18.9.17	14.6.19	10.12.19	10.12.19	18.5.15	16.5.16	14.11.19	N/A
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed to floating	Fixed to floating	Fixed	Fixed	Fixed to floating	floating
18	Coupon rate and any related index	Floating Euribor 3-month + 2.0%	2,75 %	Fixed 2.75% until 10.12.2016, thereafter floating Euribor 12-month + 1.75 %	Fixed 3.0% until 10.12.2016, 10.12.2016, thereafter floating Euribor 12-month + 2.0 %	3,25 %	3,50 %	Fixed 2.50 % (first year), thereafter floating Euribor 12-month +0.5%	N/A
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No

31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share c apital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks behind share and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	N/A

NOTE 40: CAPITAL REQUIREMENT FOR CREDIT, MARKET AND OPERATIONAL RISK

Credit and counterparty risk

(1 000 euros) Exposure class	2014 Risk weighted assets	2014 Capital requirement
Exposures to central governments or central banks	33	3
Exposures to regional governments or local authorities	279	22
Exposures to public sector entities	1	
Exposures to multilateral development banks		
Exposures to international organisations		
Exposures to institutions	148 477	11 878
Exposures to corporates	909 636	72 771
Retail exposures	700 163	56 013
Exposures secured by mortgages on immovable property	1 361 652	108 932
Exposures in default	45 023	3 602
Exposures associated with particularly high risk	117	9
Exposures in the form of covered bonds	4 007	321
Items representing securitisation positions		
Exposures to institutions and corporates with a short-term credit assesment		
Exposures in the form of units or shares in collective investment undertakings (CIUs)	341 335	27 307
Equity exposures	191 179	15 294
Other items	109 373	8 750
Credit risk total	3 811 274	304 902
Credit valuation adjustment (CVA)	123 140	9 851
Market risk	46 954	3 756
Operational risk	387 988	31 039
Minimum capital requirement	4 369 355	349 548

NOTE 41: TOTAL EXPOSURE

Credit and counterparty risk

(1 000 euros) Exposure class	Balance sheet items	Off balance sheet items	Derivatives	Total
Exposures to central governments or central banks	499 477	280		499 757
Exposures to regional governments or local authorities	22 813	2 711		25 524
Exposures to public sector entities	4 514			4 514
Exposures to multilateral development banks	1 454			1 454
Exposures to international organisations	3 096			3 096
Exposures to institutions	451 036	73 820	110 108	634 964
Exposures to corporates	899 428	59 268	15 000	973 697
Retail exposures	1 271 511	111 230		1 382 741
Exposures secured by mortgages on immovable property	3 895 665	97 765		3 993 430
Exposures in default	59 869	61		59 930
Exposures associated with particularly high risk	78			78
Exposures in the form of covered bonds	40 072			40 072
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	400 557			400 557
Equity exposures	92 506			92 506
Other items	130 267			130 267
Total exposure	7 772 343	345 135	125 108	8 242 586

NOTE 42: CREDIT RISK EXPOSURES BY RISK WEIGHTS

Credit and counterparty risk

(1 000 euros) Risk weight (%)	2014
0	622 793
10	40 959
20	582 931
35	3 980 505
50	36 234
75	1 382 741
100	1 485 090
150	45 551
250	65 782
350	0
1250	0
Total exposure	8 242 586

NOTE 43: CREDIT RISK EXPOSURES BY MATURITY

Credit and counterparty risk

(1000 euros) Exposure class	2014 Total	less than 3 months	3-12 months	1-5 years	5 --10 years	over 10 years
Exposures to central governments or central banks	499 757	285 251	25 080	40 183	47 508	101 735
Exposures to regional governments or local authorities	25 524	203	361	4 918	11 092	8 950
Exposures to public sector entities	4 514		3 309	1 205		
Exposures to multilateral development banks	1 454			316	1 138	
Exposures to international organisations	3 096			3 096		
Exposures to institutions	634 964	173 589	23 236	112 105	41 829	284 205
Exposures to corporates	973 697	36 496	61 743	352 658	154 516	368 283
Retail exposures	1 382 741	48 836	53 371	253 954	339 662	686 918
Exposures secured by mortgages on immovable property	3 993 430	44 470	69 656	379 887	743 064	2 756 353
Exposures in default	59 930	19 803	2 032	2 174	5 472	30 450
Exposures associated with particularly high risk	78					78
Exposures in the form of covered bonds	40 072		1 233	26 145	12 693	
Items representing securitisation positions						
Exposures to institutions and corporates with a short-term credit assesment						
Exposures in the form of units or shares in collective investment undertakings (CIUs)	400 557					400 557
Equity exposures	92 506					92 506
Other items	130 267	32 877		158		97 232
Total exposure	**8 242 586**	**641 525**	**240 021**	**1 176 799**	**1 356 975**	**4 827 267**

NOTE 44: CREDIT RISK EXPOSURES BY BUSINESS SEGMENTS

Credit and counterparty risk

(1000 euros) Exposure class	2014 Total	Other	Private customers	Agricultural	Corporate
Exposures to central governments or central banks	499 757	373 717	97 662	6 137	22 241
Exposures to regional governments or local authorities	25 524	17 896		482	7 146
Exposures to public sector entities	4 514	4 514			
Exposures to multilateral development banks	1 454	1 454			
Exposures to international organisations	3 096	3 096			
Exposures to institutions	634 964	634 120	511	17	316
Exposures to corporates	973 697	158 668	95 243	123 591	596 195
Retail exposures	1 382 741	52 347	665 390	253 375	411 628
Exposures secured by mortgages on immovable property	3 993 430	134 721	3 277 869	224 348	356 491
Exposures in default	59 930	1 537	32 057	3 221	23 115
Exposures associated with particularly high risk	78	78			
Exposures in the form of covered bonds	40 072	40 072			
Items representing securitisation positions					
Exposures to institutions and corporates with a short-term credit assesment					
Exposures in the form of units or shares in collective investment undertakings (CIUs)	400 557	400 557			
Equity exposures	92 506	78 544			13 962
Other items	130 267	130 267			
Total exposure	8 242 586	2 031 588	4 168 733	611 171	1 431 094

NOTE 45: GUARANTEES TAKEN INTO ACCOUNT IN THE CAPITAL ADEQUACY CALCULATIONS

Credit and counterparty risk

(1000 euros) Exposure class	2014 Total exposure	Guarantees	Financial guarantees	Other guarantees
Exposures to central governments or central banks	499 757			
Exposures to regional governments or local authorities	25 524		43	
Exposures to public sector entities	4 514			
Exposures to multilateral development banks	1 454			
Exposures to international organisations	3 096			
Exposures to institutions	634 964			
Exposures to corporates	973 697	31 843	7 064	278
Retail exposures	1 382 741	280 379	33 489	1 347
Exposures secured by mortgages on immovable property	3 993 430			5 520 664
Exposures in default	59 930	1 473	95	
Exposures associated with particularly high risk	78			
Exposures in the form of covered bonds	40 072			
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	400 557			
Equity exposures	92 506			
Other items	130 267			
Total exposure	8 242 586	313 696	40 691	5 522 289

NOTE 46: ASSET ENCUMBRANCE

(1 000 euros)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	123 159		7 740 037	
Equity instruments			465 399	573 434
Debt securities	122 597	122 597	496 810	652 762
Other assets	561		6 777 828	
Collateral received				
	Fair values of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued availlable for encumbrance		
Collateral received by the reporting institution	62 575			
Equity instruments				
Debt securities	62 575			
Other collateral received				
Own debt securities issued other than own covered bonds or ABSs				
Encumbered assets/collateral receives and debts due to those				
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own securities issued other than covered bonds and ABSs encumbered		
Carrying amount of selected financial liabilities	15 836	185 172		

Information about the importance of asset encumbrance

The Bank has used collateral of securities in the balance with a fair value of EUR 122,597 thousand. 31.12.2014 the Bank's received securities is pledged as collateral EUR 62,575 thousand.

NOTE 47: OPERATIONAL RISK

(1 000 euros)	2014	2013	2012	Capital requirement
Cross income total	221 155	192 699		
Profit indicator	33 173	28 905		31 039

(1 000 euros)	2 013	2 012	2 011	Capital requirement
Cross income total	192 699			
Profit indicator	28 905			28 905

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

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

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

SAVINGS BANKS GROUP'S CONSOLIDATED IFRS FINANCIAL STATEMENTS 31 DECEMBER 2014

NOTE 48 ADDITIONAL FINANCIAL INFORMATION

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Note 48.PL Consolidated income statement

(1 000 euros)	Note	1-12/2014	1-12/2013
Interest income		162 219	149 880
Interest expense		-40 197	-39 268
Net interest income	48.5	122 022	110 612
Net fee and commission income	48.6	63 490	58 806
Net trading income	48.7	602	2 097
Net investment income	48.8	23 417	23 444
Net life insurance income	48.9	9 876	11 803
Other operating revenue	48.11	4 497	18 079
Total operating revenue		223 903	224 841
Personnel expenses	48.12	-67 874	-65 252
Other operating expenses	48.13	-75 889	-75 366
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	48.14	-9 218	-8 732
Total operating expenses		-152 981	-149 351
Net impairment loss on financial assets	48.20	-10 619	-5 905
Associate's share of profits	48.24	2 834	1 489
Profit before tax		63 137	71 074
Taxes	48.15	-16 527	-5 062
Profit		46 610	66 013
Profit attributable to:			
Equity holders of the Group		45 391	64 449
Non-controlling interests		1 219	1 564
Total		46 610	66 013

Note 48.CI Consolidated statement of comprehensive income

(1 000 euros)	Note	1-12/2014	1-12/2013
Profit		46 610	66 013
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligation	48.39	-291	-87
Total		-291	-87
Items that are or may be reclassified to profit or loss			
Changes in fair value reserve	48.34		
Fair value measurements		9 803	-343
Cash flow hedges		1 208	-4 402
Share of other comprehensive income of associates	48.24	-68	-3 695
Total		10 943	-8 440
Total comprehensive income		57 261	57 486
Attributable to:			
Equity holders of the Group		55 835	55 857
Non-controlling interests		1 426	1 629
Total		57 261	57 486

Note 48.BS Consolidated statement of financial position

(1 000 euros)	Note	31.12.2014	31.12.2013	1.1.2013
Assets				
Cash and cash equivalents	48.18	532 764	47 823	20 847
Assets at fair value through profit or loss	48.19	132 028	105 120	75 354
Loans and advances to credit institutions	48.20	201 453	513 681	419 323
Loans and advances to customers	48.20	5 648 909	5 301 417	4 983 913
Derivatives	48.21	88 705	61 056	83 112
Investment assets	48.22	1 187 833	1 181 955	983 707
Life insurance assets	48.23	439 765	343 041	0
Investments in associates and joint ventures	48.24	44 301	42 202	57 261
Property, plant and equipment	48.25	55 953	54 519	53 447
Intangible assets	48.26	18 511	15 991	10 210
Tax assets	48.16	3 203	4 497	5 452
Other assets	48.27	47 119	46 088	52 380
Total assets		8 400 544	7 717 389	6 745 005
Liabilities and equity				
Liabilities				
Liabilities at fair value through profit or loss	48.28	111 475	88 134	58 255
Liabilities to credit institutions	48.29	448 360	297 579	201 800
Liabilities to customers	48.29	5 807 791	5 609 508	5 400 688
Derivatives	48.21	4 227	3 763	2 025
Debt securities issued	48.30	446 484	282 851	52 214
Life insurance liabilities	48.31	404 642	314 153	0
Subordinated liabilities	48.32	169 131	193 037	148 444
Tax liabilities	48.16	76 093	67 307	72 504
Provisions and other liabilities	48.33	91 111	79 969	100 628
Total liabilities		7 559 313	6 936 303	6 036 559
Equity				
Basic/share capital	48.34	10 343	10 343	10 343
Reserves	48.34	292 125	271 464	271 042
Retained earnings	48.34	511 630	470 883	411 261
Total equity attributable to equity holders of the Group	48.34	814 099	752 690	692 647
Non-controlling interests	48.34	27 132	28 396	15 800
Total equity		841 230	781 086	708 446
Total liabilities and equity		8 400 544	7 717 389	6 745 005

Note 48.CF Consolidated statement of cash flows

(1 000 euros)	1-12/2014	1-12/2013
Cash flows from operating activities		
Profit	46 610	66 013
Adjustments for items without cash flow effect	26 391	12 041
Income taxes paid	-9 130	-9 005
Cash flows from operating activities before changes in assets and liabilities	**63 871**	**69 049**
Increase (-) or decrease (+) in operating assets	**-253 924**	**-674 239**
Financial assets at fair value through profit or loss	2 640	-8 140
Available-for-sale financial assets	-60 115	-200 415
Loans and advances to credit institutions	256 386	-114 278
Loans and advances to customers	-358 066	-325 081
Increase in held-to-maturity financial assets	0	-19 402
Decrease in held-to-maturity financial assets	11 891	44 014
Life insurance assets	-89 089	-52 644
Other assets	-17 570	1 707
Increase (-) or decrease (+) in operating liabilities	**591 337**	**678 214**
Liabilities to credit institutions	169 407	168 773
Liabilities to customers	173 503	233 261
Debt securities issued	145 896	242 250
Life insurance liabilities	90 489	50 705
Other liabilities	12 043	-16 775
Total	401 284	73 024
Cash flows from investing activities		
Acquisition of subsidiaries	0	-21 971
Other investments	-37 590	-83
Investments in investment property and in tangible and intangible assets	-17 942	0
Disposals of investment property and tangible and intangible assets	3 712	2 691
Total	-51 821	-19 362
Cash flows from financing activities		
Increase in subordinated liabilities	34 250	93 513
Decrease in subordinated liabilities	-58 303	-48 720
Distribution of profits	-1 438	-1 314
Other monetary increases in equity items	4 000	3 000
Total	-21 491	46 479

(1 000 euros)	1-12/2014	1-12/2013
Adjustments for items without cash flow effect		
Impairment losses on financial assets	10 619	5 905
Changes in fair value	-42	-1 091
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	11 171	10 515
Effect of associates on profit	-2 834	-1 489
Adjustments for life insurance operations	-7 539	4 579
Gain or loss on sale of investment property and tangible and intangible assets	0	-1 692
Items arising from business combinations	0	-8 211
Other adjustments	-1 512	-1 535
Income taxes	16 527	5 062
Total	26 391	12 041
Change in cash and cash equivalents	327 972	100 140
Cash and cash equivalents at the beginning of financial period	256 770	177 287
Cash and cash equivalents at the end of financial period	584 742	256 770
Cash and cash equivalents comprise the following items:		
Cash	532 764	47 823
Receivables from central banks repayable on demand	51 978	208 947
Total cash and cash equivalents	584 742	256 770
Interest received	161 800	150 948
Interest paid	41 680	43 134
Dividends received	2 079	2 546

* During 2013 Savings Banks Group acquired control in Sp Life insurance Ltd and in Central Bank of Savings Banks Finland Ltd. The acquisition price of the companies was EUR 23.221 and of acquired liquid assets EUR 1.250. The acquisitions are presented in more detail in Note 48.45 Business combinations.

Note 48.EQ Consolidated statement of changes in equity

(1 000 euros)	Basic/share capital	Share premium	Primary capital	Fair value reserve (available for sale)	Reserve for hedging instruments	Reserve fund	Other reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity 1 January 2013	10 343	12 610	24 750	30 068	7 829	67 100	128 686	271 042	411 261	692 647	15 800	708 446
Comprehensive income												
Profit									64 449	64 449	1 564	66 013
Other comprehensive income				-4 103	-4 402			-8 505	-87	-8 592	65	-8 527
Total comprehensive income				-4 103	-4 402			-8 505	64 362	55 857	1 629	57 486
Transactions with owners												
Subscription issue			3 000					3 000		3 000		3 000
Transfers between items				-20				-20		-20	3 770	3 750
Share of associated companies' direct equity entries									1 276	1 276	0	1 276
Other changes	-12					1 057	4 889	5 946	-6 015	-81	4 165	4 084
Changes that resulted in loss of control	-12									12	-13	-1
Changes that did not result in loss of control											3 046	3 046
Total equity 31.12.2013	10 343	12 610	27 750	25 945	3 427	68 157	133 575	271 464	470 883	752 690	28 396	781 086
Equity 1 January 2014	10 343	12 610	27 750	25 945	3 427	68 157	133 575	271 464	470 883	752 690	28 396	781 086
Comprehensive income												
Profit									45 391	45 391	1 219	46 610
Other comprehensive income				9 595	1 140			10 736	-291	10 444	207	10 652
Total comprehensive income				9 595	1 140			10 736	45 100	55 835	1 426	57 261
Transactions with owners												
Distribution of profits									-1 514	-1 514		-1 514
Subscription issue			6 725					6 725		6 725		6 725
Transfers between items		393					2 490	2 883	-2 883			
Share of associated companies' direct equity entries												
Other changes						224	-286	-62		-62		-62
Changes that resulted in loss of control							96	96	45	141	-2 690	-2 550
Changes that did not result in loss of control							284	284		284		284
Total equity 31.12.2014	10 343	13 003	34 475	35 540	4 568	68 381	136 158	292 125	511 630	814 099	27 132	841 230

Note 48.1 Additional financial information

The purpose of the additional financial information included in the financial statements is to provide the market with as useful and relevant financial information as possible, giving a true and fair view of the Savings Banks Group's financial position and performance to credit rating agencies, investors and other stakeholders. For this reason, the Savings Banks Group also presents consolidated historical financial information of the Savings Banks Group for the time before the start of the amalgamation's operations 31 December 2014.

This note presents the consolidated financial statements of the Savings Banks Group for the entire financial year 1 January – 31 December 2014, as well as the figures of the financial year ended on 31 December 2013 as comparative information. In respect of the additional financial information, the Savings Banks Group's date of transition to IFRS is 1 January 2013. The information was prepared in compliance with the accounting policies presented in Note 2 by consolidating the signed and audited financial statements of the entities which comprise the Savings Banks Group. The information provided as additional financial information was prepared according to the principle of combined financial statements, whereby the historical financial information of the entities is consolidated into a single entity, including the necessary consolidation eliminations and adjustments resulting from the application of IFRS. Preparation of the consolidated financial statements as a single entity is based on the concept of common management as the Savings Banks Group has been operating under joint guidance although not under one command. The statements of financial position presented in the official financial statements and in the additional financial information for 31 December 2014 are identical.

Note 48.2 Corporate governance

Savings Banks Union Coop General Meeting

The highest decision making authority in the Savings Banks Union Coop (hereinafter the "central institution") belongs to the members participating in the general meeting. Among other things, the meeting confirms, on the proposal of the Board, the operating principles, strategy, solvency management policies and other general governance principles of the Savings Banks Group.

Supervisory Board

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

During the past financial year, it had 24 members. The Chairman of the Supervisory Board has been Mr Jaakko Puomila with Mr Pauli Kurunmäki acting as vice-chairman. The members of the Supervisory Board are chairmen of the boards of savings banks.

The Supervisory Board is responsible for monitoring the governance of the central institution by the Board and the CEO making sure that the operations are managed knowledgeably and carefully, pursuant to the Cooperatives Act, and in the interest of the central institution and the Savings Banks Group. The Supervisory Board issues a statement to the general meeting on the Savings Banks Group's strategy and other common objectives and policies.

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

Board of Directors

The general meeting elects the members of the Board for the term extending till the next ordinary general meeting. The Board consists of six to nine members.

At the end of the financial year, the members of the Board were Mr Jussi Hakala (chairman), Mr Matti Saustila (vice-chairman), Ms Pirkko Ahonen, Mr Hans Bondèn, Mr Juhani Huupponen and Mr Mikko Paananen. The Directors are CEOs of the savings banks.

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

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

Committees

The Supervisory Board has appointed a nomination committee and a remuneration committee, and the Board has elected an audit committee and a risk committee. The Supervisory Board and the Board have approved the rules of procedure for the committees they each have appointed.

The task of the nomination committee is to prepare a recommendation regarding the members of the governing bodies of the central institution and the savings banks' service companies, along with their remuneration.

The remuneration committee prepares recommendations for remuneration policies and systems of the CEO's and the members of the management reporting directly to CEOs in member credit institutions and other amalgamation organizations. Furthermore, the committee shall prepare remuneration guidelines and schemes.

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

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

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

CEO

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

The CEO of the central institution is Mr Pasi Kämäri and his deputy is Mr Harri Mattinen.

Audit

The central institution has one auditor, which must be an audit firm approved by the Finnish Central Chamber of Commerce. This auditor also audits the consolidated financial statements as defined in the Amalgamation Act.

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

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

Legal structure of The Savings Banks Amalgamation and Savings Banks Group

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

Members of the Savings Banks Union Coop

As of 31 December 2014, the Savings Banks Union Coop members were:

Aito Säästöpankki Oy

Avain Säästöpankki

Ekenäs Sparbank

Eurajoen Säästöpankki

Helmi Säästöpankki Oy

Huittisten Säästöpankki

Kalannin Säästöpankki

Kiikoisten Säästöpankki

Kristinestads Sparbank

Kvevlax Sparbank

Lammin Säästöpankki

Liedon Säästöpankki

Länsi-Uudenmaan Säästöpankki

Mietoisten Säästöpankki

Myrskylän Säästöpankki

Nooa Säästöpankki Oy

Närpes Sparbank

Pyhärannan Säästöpankki

Someron Säästöpankki

Suomenniemen Säästöpankki

Sysmän Säästöpankki

Säästöpankki Optia

Säästöpankki Sinetti

Ylihärmän Säästöpankki

Yttermark Sparbank

Central Bank of Savings Bank Finland Ltd (became a member of Savings Banks Union Coop on 16th October 2014)

Risk management and internal control framework of the Savings Banks Amalgamation

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

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

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

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

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

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

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

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

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

The central institution's Board is primarily responsible for organizing, implementing and securing the functioning of the internal control system. The central institution's Board approves the principles for the Group's internal control framework.

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

- Risk control
- Compliance
- Internal audit

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

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

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

The boards of the member credit institutions are responsible for arranging internal controls for their own organizations in accordance with legislation, government regulations and the internal guidelines of their own board and the Board of the central institution. The member credit institutions of the Savings Banks Amalgamation must make appropriately organized internal control a part of their daily business operations.

The central instituion's executive management has a functional responsibility for the operations of the amalgamation's central institution under authorization of the Savings Banks Union Coop's Board.

At the amalgamation level, the central institution's executive management is responsible for:

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

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

Member credit institutions' solvency and its control

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

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

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

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

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

Joining the Savings Banks Amalgamation; withdrawal from membership

Members of the central institution may include credit institutions whose rules or Articles of Association are in line with the provisions of the Amalgamation Act and whose rules or Articles of Association the central institution has approved. Admission of new members is decided upon by the general meeting.

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

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

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

Financial statements and audit of the Savings Banks Group

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

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

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

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

Payment liability of the central institution and mutual responsibility of member credit institutions

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

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

Each member institution's liability for the amount that the central institution has paid to a creditor on behalf of another member institution shall be divided between the member credit institutions in proportion to their latest confirmed balance sheet totals. In each financial year, the combined annual payments collected from a member credit institution as a supporting measure to prevent another member's liquidation may not exceed, in total, five thousandths of its latest confirmed balance sheet total.

Deposit Guarantee Fund and Investors' Compensation Fund

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

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

Remuneration

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

The Savings Banks Amalgamation's decisions on the remuneration system of personnel and management are based on Chapter 8 Remuneration of the Act on Credit Institutions.

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

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

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

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

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

The central institution's executive management assists the remuneration committee, the Board and the audit committee according to its mandate. The internal audit unit of an amalgamation member credit institution or company prepares an annual assessment for the board of the credit institution or company regarding compliance with the remuneration system. The internal audit of the central institution prepares for its Board an amalgamation-level assessment of the compliance with the remuneration system based on the company assessments. Essential findings are reported to the central institutions`s audit committee and remuneration committee.

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

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

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

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

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

The salaries, wages and remuneration of the financial year are shown in the notes to the financial statements titled "Other financial information and personnel costs".

Note 48.3: Risk management

General principles and objectives for risk management

The Group is a financial group comprising 25 Savings Banks and their central institution, the Savings Banks Union Coop, as well as their subsidiaries and associated companies. The Group does not form a financial and insurance conglomerate as defined in the Act on the Supervision of Financial and Insurance Conglomerates.

The member organizations of the Amalgamation form a financial entity as defined in the Amalgamations Act, in which the Savings Banks Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks Union Coop, which acts as the central institution of the Amalgamation, 25 independent, local and regional Savings Banks, the Central Bank of Savings Banks Finland Ltd, Sp-Fund Management Company Ltd, as well as the companies within the consolidation groups of the above-mentioned entities.

The Savings Banks Union Coop acts as the Central Institution of the Amalgamation. According to the Amalgamation Act the Central Institution has the right to steer and the obligation to monitor the operations of the member credit institutions. The Central Institutions conducts its tasks of steering and monitoring both on the Amalgamation and member credit institution level. The Board of the Central Institution has approved the most significant risk strategies and other operating principles. It also makes decisions related to the necessary actions according to the Group's operating principles.

The Savings Banks operate in the retail banking business, especially in daily banking, saving and investment products and lending. The service and product range offered is complemented with the other financial services and products provided in cooperation with the service and product companies within the Group. The most significant service and product companies of the Group are Sp Central Bank, Sp Life Insurance, Sp Fund Management Company and Sp Koti Ltd.

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

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

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

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

The Amalgamation has efficient corporate governance ensuring adequate risk management as well as adequate internal control and risk management framework. The corporate governance, internal control and risk management framework must comply with legislation and the regulations and guidelines issued by the authorities. The principles of the corporate governance are described in more detail in Note 5 Corporate governance.

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

Risk management principles and governance

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

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

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

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

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

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

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

- Risk Control
- Compliance
- Internal Audit

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

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

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

Risk management governance of the Central Institution

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

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

All significant loans or commitments including significant risk are made in accordance with collegial decision making processes, and there is lending authority limit structure in place. Internal operational guidelines are used to steer business operations and processes. Compliance with the internal guidelines as well as the updating process of the guidelines is monitored. All decisions and significant business operations are documented and archived. An essential part of risk management is executed in daily supervision. The execution of made decisions is monitored through approval and verification process, controls and reconciliations together with adequate follow-up reporting.

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

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

Capital adequacy management

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

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

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

The Board of the Central Institution has set a threshold for the capital ratio which is followed up quarterly. The long-term minimum requirement for the CET1 capital is 11.5%.

Stress test

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

Capital contingency plan

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

Pillar 1 – capital requirement

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

Pillar 1 capital requirement (1 000 euros)	31.12.2014	31.12.2013
Exposures to central governments or central banks	3	0
Exposures to regional governments or local authorities	22	0
Exposures to public sector entities	0	19
Exposures tu multilateral development banks	0	0
Exposures to international organisations	0	0
Exposures to institutions	11 878	15 085
Exposures to corporates	72 771	77 752
Retail exposures	56 013	64 050
Exposures secured by mortgages on immovable property	108 932	100 421
Exposures in default	3 602	3 447
Exposures associated with particularly high risk	9	12
Exposures in the form of covered bonds	321	496
Items representing securitisation positions	0	0
Exposures to institutions and corporates with a short-term credit assesment	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	27 307	22 447
Equity exposures	15 294	0
Other items	8 750	11 576
Capital requirements for credit and counterparty credit risk	304 902	295 303
Capital requirement for credit value adjustment (CVA)	9 851	0
Capital requirement for market risk	3 756	3 519
Capital requirement for operational riski	31 039	28 905
Total capital requirement	349 548	327 727
Total own funds	814 349	804 138

Own funds and capital ratio

At the end of 2014 the Amalgamation had a strong capital structure, consisting primarily of CET1 capital. Own funds were EUR 814.3 million (804.1), of which CET1 capital accounted for EUR 737.6 million (645.0). Tier 2 (T2) capital accounted for EUR 76.8 million (159.1), of which EUR 43.4 million (159.1) was in debentures. The capital structure of the Amalgamation does not include figures from Life Insurance business segment.

The new capital adequacy regulations brought more detail to the definitions of 'own funds' and 'total risk', i.e. risk-weighted assets. Consequently, the key figures for 2013 year-end capital adequacy are not fully comparable to the 2014 year-end figures. The most significant individual changes in regulations, from the point of view of the Amalgamation, relate to the financial investments made by the member banks and to amortization of debenture loans, which are no longer included in the calculation of own funds.

The own funds and capital adequacy as at 31 December 2014 are presented in accordance with the EU's Capital Requirements Regulation (575/2013), which came into force on 1 January 2014. The figures for the comparison period are presented in accordance with legislation in force on 31 December 2013.

Own Funds (1 000 euros)	31.12.2014	31.12.2013
Common Equity Tier 1 (CET1) capital before regulatory adjustments	796 778	698 201
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-59 220	-53 157
Common Equity Tier 1 (CET1) capital	737 559	645 044
Additional Tier 1 (AT1) capital	0	
Tier 1 capital (T1 = CET1 + AT1)	737 559	645 044
Tier 2 (T2) capital before regulatory adjustments	26 881	195 804
Total regulatory adjustments to Tier 2 (T2) capital	49 910	-36 710
Tier 2 (T2) capital	76 791	159 094
Total capital (TC = T1 + T2)	814 349	804 138
Solvency ratio	**31.12.2014**	**31.12.2013**
Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.9 %	15.7 %
Tier 1 (as a percentage of total risk exposure amount)	16.9 %	15.7 %
Total capital (as a percentage of total risk exposure)	18.6 %	19.6 %

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

Banking segment

Credit and counterparty risks

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

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

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

Management of credit risk

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

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

The credit risk strategy is supported by operational level instructions and guidelines issued by the Central Institution's Board, most important of which are credit underwriting policy, collateral guidelines, guidelines for the recognition and management of problem customers, and guidelines for the impairment and credit loss process. Each credit institution and other company within the amalgamation have operational level instructions and guidelines that are approved by the member credit institution's board of directors and are based on amalgamation-level guidelines.

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

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

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

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

Credit and counterparty risk (1 000 euros)	2014			
Exposure group	**Total exposure**	**Guarantees**	**Financial guarantees**	**Other guarantees**
Exposures secured by mortgages on immovable property	3 993 430	0	0	5 735 496
Retail exposures	1 382 741	280 379	33 489	1 347
Exposures to corporates	973 697	31 843	7 064	278
Exposures to institutions	634 964	0	0	0
Exposures to central governments or central banks	499 757	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	400 557	0	0	0
Exposures in default	59 930	1 473	95	0
Othe exposure groups in total *	297 510	0	43	0
Total	8 242 586	313 696	40 691	5 737 122

*) The biggest six exposure groups are presented in the table including exposures in default. Other exposure groups presented in total.

Lending to private customers

The loan portfolio of the Banking segment was EUR 5 649 million at the end of 2014 and it increased with EUR 351 million compared to the previous year. The lending to private customers was 71%, to corporate customers 19% and to agricultural and others customers 10%.

Breakdown of loans by customer groups
(1000 eur)

Customer group	31.12.2014	31.12.2013	Change %
Private customers	4 020 448	3 686 972	9.04 %
SME corporate customers	1 064 839	1 066 406	-0.15 %
Agricultural and other customers	564 037	548 039	2.92 %
Total	5 649 324	5 301 417	6.56 %

The mortgage lending was EUR 3 689 million at the end of 2014 (EUR 3 424 million) with growth of 7.7% during the year.

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

The lending to the private customers is operated via the balance sheets of the Savings Banks excluding the Visa credit cards operated by Nets Ltd. The credit card issuance service together with existing credit card loan portfolio will be transferred to Sp Central Bank during the year 2015.

Loan classification

The credit worthiness of a private customer is based on the local Savings Banks' comprehensive customer knowledge and the assessment of the customers' ability to pay. The credit decision is mainly based on the customers' sufficient repayment ability. The customers' ability to pay, the credit scoring of the application together with the loan-to-value ratio forms the basis for the credit decision and the risk-based pricing. The outstanding loans are classified using the behavioral scoring model taking into account the changes in the customers' payment behavior.

The currently used credit rating models will be renewed during the year 2015. The new credit scoring models for the corporate customers and agricultural customers will be implemented in spring 2015. The product specific credit scoring models to be used in the credit application process for the private customers together with the credit rating model for the private customers' outstanding lending portfolio will be renewed during the latter part of the year 2015. The new credit rating models will include 14 rating classes of which one is for defaulted customers.

Lending to corporates

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

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

The loan pricing model for the corporate and forestry and agricultural customers will be revised during the year 2015. The credit decisions and risk-based pricing of the credit are based on the analysis of customers' financial statements, customers' financial position, ability to pay, competitive positioning, credit scoring of the application and the loan-to-value ratio of the application. In addition, the impact of the intended investment on the customers' financial position is evaluated.

When implementing the new credit scoring models part of the corporate customers will be reclassified so that the self-employed entrepreneurs and sole trader currently classified as corporate customers will be reclassified into private customer group. Exception to this reclassification are those customer relationships where specific competences are required, in these cases the customer is included in the corporate customer group. Going forward the corporate customer group includes limited liability companies, joint-stock companies and limited partnerships, associations and public entities. During 2014 the Savings Banks used Suomen Asiakastieto's Rating Alfa for the credit scoring of the corporate customers.

SME corporate lending by rating distribution
(Suomen Asiakastieto)
(1000 eur)

Rating	31.12.2014	31.12.2013
AAA	3.7 %	2.2 %
AA+	16.6 %	17.3 %
AA	11.5 %	12.4 %
A+	20.4 %	18.9 %
A	24.1 %	25.3 %
AN	0.1 %	0.1 %
B	9.9 %	10.9 %
C	7.0 %	8.4 %
D	1.0 %	0.7 %
Non-performing/defaulted	5.7 %	3.8 %
Total	100.0 %	100.0 %

Concentration risks

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

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

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

The largest counterparties of the Amalgamation are Aktia Bank plc and Aktia Real Estate Mortgage Bank. The exposures to these counterparties stem from the long cooperation over the years and the exposures will decrease in accordance to the maturities of the existing contracts together with the gradual wind-down of the operations of Aktia Real Estate Mortgage Bank.

Branch distribution of corporate stock
(1000 euros)

Branch	31.12.2014	31.12.2013
Basic industries, fisheries and mining	7.7 %	7.5 %
Industry	7.8 %	7.8 %
Energy, water and waste disposal	2.0 %	1.7 %
Construction	10.3 %	11.1 %
Trade	9.3 %	9.4 %
Hotels and restaurants	4.1 %	4.1 %
Transport	5.0 %	5.3 %
Financing	1.4 %	1.3 %
Property	41.2 %	40.1 %
Research, consulting and other business service	6.1 %	6.1 %
Other services	5.2 %	5.6 %
Total	100.0 %	100.0 %

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

Payments in arrears

For non-performing loans loan balance or interest has been expired and unpaid over 90 days. The non-performing loans of the Amalgamation levelled with the previous year and were approx. 0.95% of the loan portfolio. The non-performing loans for the private customers were 0.67% of the total lending. Payment delays (30 - 90 days) increased by EUR 22.5 million compared to the previous year. In certain circumstances if the customer would otherwise face financial difficulties in the future the customer may be granted a change in the terms and conditions of the loan, for example interest-only period or restructuring the loan. The reason for these arrangements is to ensure the customers' ability to pay and avoid possible credit loss-es. The prerequisite for granting any forbearance measures to the loans is that the customers' financial difficulties are estimated to be short-termed and temporary. The Amalgamations forbearance in total was EUR 79.8 million.

Payment delays and non-performing loans (1 000 euros)	31.12.2014	Share (%)	31.12.2013	Share (%)
Payment delays (30-90 days)	65 473	1.16 %	42 973	0.81 %
Receivables that will probably remain unpaid	6 409	0.11 %	2 940	0.06 %
Non-performing loans				
Non-performing loans 90-180 days	10 312	0.18 %	13 627	0.26 %
Non-performing loans 180 days - 1 year	9 140	0.16 %	14 809	0.28 %
Non-performing loans > over 1 year	34 438	0.61 %	25 262	0.48 %
Forbearance in total	79 824	1.41 %		

* *Figures for 2014 are presented according to the EBA definition. The comparison figures for 2013 have not been adjusted accordingly.

Impairments on loans and other receivables

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

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

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

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

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

Impairment losses on loans and receivables grew to EUR 27.6 million (EUR 17 million). Individual impairments were in total EUR 21.9 million (EUR 16.7 million) and collective impairments were in total EUR 5.7 million (EUR 0.3 million). Collective impairments for private customers were EUR 1.6 million and collective impairments for SME and forestry and agricultural customers were EUR 4.1 million. Impairment losses on loans and other receivables were 0.5% of the total loan portfolio.

Private customers' share of the collective impairments was 24% and SME and forestry and agricultural was 76%. The increase in impairments is primarily due to the group companies harmonizing their recording of impairments.

Impairment losses on loans and other receivables (1 000 euros) 2014	Measured by individual contract	Measured by group	Total
Impairments 1 January 2014	16 710	311	17 021
+ increase in impairment losses	10 235	5 387	15 623
- reversal of impairment losses	-2 392	0	-2 392
- final write-offs	-2 691	0	-2 691
Impairments 31 December 2014	21 862	5 698	27 560

Impairment losses (1 000 euros) 2013	Measured by individual contract	Measured by group	Total
Impairments 1 January 2013	10 702	460	11 162
+ increase in impairment losses	10 003		10 003
- reversal of impairment losses	-1 236	-149	-1 385
- final write-offs	-2 760		-2 760
Impairments 31 December 2013	16 710	311	17 021

Changes in the carrying amount of impaired loans and receivables (1 000 euros)	2014	2013
Impaired loans and receivables 1 January	34 373	29 844
Loans and receivables classified as impaired during the year	7 341	4 385
Reversals for impaired receivables during the year	-1 202	144
Impaired loans and receivables 31 December	40 512	34 373

Market risk

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

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

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

Investment and liquidity portfolios

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

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

Investment portfolio (1 000 euros)	31.12.2014 Fair value	Share (%)	31.12.2013 Fair value	Share (%)
Debt securities	712 848	51 %	651 686	44 %
Other securities	163 423	12 %	321 624	22 %
Shares	91 354	7 %	97 935	7 %
Share funds	94 193	7 %	71 710	5 %
Mixed funds	33 823	2 %	27 492	2 %
Interest funds	263 284	19 %	267 039	18 %
Hedge funds	4 525	0 %	4 735	0 %
Structured investments	32 330	2 %	40 265	2 %
Other investments	3 483	0 %	99	0 %
Properties	41 707	0 %	40 656	0 %
Total	1 440 969	100 %	1 523 241	100 %

Equity risk arises primarily from the liquidity and investment portfolios of member credit institutions. At the Amalgamation level, approximately 68% of the equity portfolio consists of equity holdings necessary for operations, currently Aktia Mortgage Bank's A and B shares and Samlink ltd A shares. Other equity holdings consists mainly of publicly listed shares.

Equity portfolio (1 000 euros)	31.12.2014	31.12.2013
Listed shares	19 516	26 168
Un-listed shares	71 838	71 767
Total	91 354	97 935

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

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

Market risk management

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

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

Interest rate risk in the banking book

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

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

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

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

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

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

The Amalgamation's interest rate risks are measured monthly, using both the net interest income and the change in the present value of the balance sheet. The current value method measures how much the fair value of the balance sheet changes when interest rates change, and the market value of each balance sheet item is expected to equal the present value of the cash flows generated by such instrument. The income risk model predicts the future net interest income over one year with changing market interest rates.

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

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

Change in net interest income (1 000 euros)				
	31.12.2014		31.12.2013	
Period	Down	Up	Down	Up
Change in the coming 12 months	-3 754	10 181	-7 335	10 420
Change in 12-24 months	-5 980	21 062	-17 013	21 341

Liquidity risk

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

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

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

During 2014 a significant portion of the investment portfolio was transformed into investments eligible for the liquidity portfolio. This had the effect of improving the amalgamation's liquidity, but lowering the expected net interest income.

On 31 December 2014 the amalgamation had 710 million euros (before haircuts) of LCR eligible liquid assets of which 75 % were notes and coins and reserves held in the Bank of Finland, 16 % were level 1 assets issued by governments and multinational organizations and 9 % were other assets. The amalgamation's LCR was 141 % on 31 December 2014.

Liabilities 2014 (1 000 euros)	Total	< 3 mo	3-12 mo	1-5 years	> 5 years
Due to credit institutions and central banks	448 359	206 359	111 124	114 230	16 646
Amounts owed to customers and public entities	5 743 621	4 414 806	1 014 800	306 890	7 125
Debt securities in issue	446 483	72 336	111 282	260 189	2 676
Subordinated liabilities	169 474	600	47 364	121 510	0
Financial liabilities total	6 807 937	4 694 101	1 284 570	802 819	26 447
Derivatives, net cash flows	85 042	6 012	11 863	51 743	15 424

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

Liabilities 2013 (1 000 euros)	Total	< 3 mo	3-12 mo	1-5 years	> 5 years
Due to credit institutions and central banks	297 579	169 871	78 210	40 077	9 421
Amounts owed to customers and public entities	5 571 167	4 223 420	1 063 083	275 380	9 284
Debt securities in issue	285 598	47 350	55 509	182 739	0
Subordinated liabilities	193 037	600	56 570	135 867	0
Financial liabilities total	6 347 381	4 441 241	1 253 372	634 063	18 705
Derivatives, net cash flows	100 913	7 134	14 077	61 399	18 302

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

Liquidity risk management

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

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

The amalgamation's asset and liability committee prepares and plans the liquidity strategy for the board of directors of the central institution and monitors the strategy's implementation at the amalgamation level.

The risk control unit of the central institution is responsible for the independent monitoring of the amalgamation level limits and thresholds set in the liquidity strategy and their reporting to the central institution's management, asset and liability committee, risk committee and the board.

The key tools in monitoring liquidity risk at the amalgamation level are cash position, liquidity reserve and LCR, which applies both at the individual member bank level and the amalgamation level.

Structural liquidity risk

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

The Asset and Liability Committee may set limits and thresholds for the structural funding risk.

Real estate risk

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

Property, plant and equipment and investment property are measured at cost less depreciation and impairment. The book values and measurement at cost are described more detail in the note for investments.

Operational risk

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

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

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

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

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

Legal risks

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

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

Business risk

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

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

Asset Management and Life insurance

Asset Management

In the Group and the Amalgamation, Sp Fund Management Company is responsible for the management of fund products and provision of asset management services for the Savings Banks' portfolios as well as for our customers.

At the end of the year, the assets managed by the Sp Fund Management was EUR 1.179,2 million showing growth of 26.2% on the previous year. At the end of 2014 there was total of 19 investment funds.

Life insurance

The main risks associated with life insurance operations are risks linked to insurance contracts and investments. The so-called technical risks associated with insurance policies include the insurance risk, interest rate risk and operating cost risk. In accordance with the Insurance Companies Act, the calculation bases applied to life insurance products are secured, meaning that, under normal circumstances, pricing based on these principles would result in a surplus for the company.

Profitability of life insurance operations

(1 000 euros)	2014 Revenue subject to risk	Claims expenditure	Claims ratio	2013 Revenue subject to risk	Claims expenditure	Claims ratio
Risk insurance	2 087	354	17.0 %	2 855	704	24.7 %
Savings and pension insurance	12 534	12 184	97.2 %	7 051	6 862	97.3 %
Total	14 621	12 539	85.8 %	9 906	7 566	76.4 %

Insurance risk

The biggest insurance risks are associated with pure risk products. These include payment protection insurance policies where the company provides protection in case of death or permanent disability. These risks are managed through insurance terms and conditions, careful selection of risk, accurate pricing and reinsurance. As to the permanent disability insurance, it is possible to raise current charges in the portfolio if the claims ratio weakens. As regards the selection of risks, we have defined clear criteria for insurance risk-taking. In the selection of risks associated with risk insurance, we follow the guidelines prepared and maintained by the reinsurer.

The amount exceeding the self-insured retention is reinsured with the reinsurance cover being conditional on the compliance with current guidelines at all times. The reinsurance principles and retention amounts are confirmed annually. At the same time, we assess the credit risk associated with the reinsurer. In life insurance operations, we apply an equalization provision to offset the variation of claims expenditure from year to year.

Interest rate risk

Interest rate risk in life insurance operations relates to the interest to be paid on either contracts or on technical provisions. For savings products, the company applies a combination of an annual interest rate, fixed annually, and an additional interest rate. This makes it possible to adapt to current market situations by adjusting the interest to be paid to customers annually based on market rates. This reduces considerably the interest rate risk associated with insurance contracts.

Operating cost risk

The load income priced into the company's products has been calculated to cover the operating cost caused by them. The load income is calculated based on the products' life cycle so that the load income from contracts is allocated over the entire lifetime of a contract. The profitability of life insurance operations by insurance type is analyzed at least once a year, serving as a base for the assessment of the level of premiums and load of the insurance policies to be granted. The analysis shows whether the risk premiums received cover risk costs, the load income covers operating costs and whether the interest payments align with the income earned. The analysis helps to monitor the adequacy of pricing by insurance type and to make any needed adjustments.

Sensitivity analysis of technical provisions

The market value of the technical provisions is affected by assumptions about biometric factors, customer behaviour, development of business expenses and risk-free interest. These factors are modelled based on national studies and internal analyses of life insurance operations and the portfolio. Risk-free interest is defined according to the Solvency II requirements.

The interest rate risk associated with technical provisions is part of the entire life-insurance interest rate risk, the other half of which consists of the interest rate risk of investments.

Sensitivity analysis of technical provisions 31.12.2014

Risk factor (1 000 euros)	Change	Effect on market-consistent technical provisions
Mortality rate	+10 %	1 169
	-10 %	416
Disability	+10 %	215
Terminability	+10 %	857
	-10 %	1 101
Business expenses	+10 %	369
Interest rate	+1 % pct. Point	2 548
	-1 % pct. Point	406

The above shows the sensitivity of the market value of technical provisions to various risk factors. The valu-ation of technical provisions in the financial statements is, however, not based on the market but on the IFRS 4 standard.

Investment risks

The objective of life insurance investments is to achieve a highest possible return at an acceptable risk level while managing the compliance with solvency requirements and alignment between the asset and liability structures. The most important risks are the lessening of investment value, the insufficiency of returns to cover the technical provisions requirements along with the risk associated with the reinvestment of matured assets. The risks are managed through efficient diversification while observing the restrictions concerning margin eligibility of the technical provisions margin. As a minimum, the value of the technical provisions margin must at all times equal the amount required by the provisions of the Insurance Companies Act.

Breakdown on investment assets (1 000 euros)	31.12.2014 Fair value	Share (%)	31.12.2013 Fair value	Share (%)
Bonds	108 757	57 %	99 446	51 %
Other money market instruments	13 825	7 %	10 806	6 %
Equities				
Developed markets	12 155	6 %	29 358	15 %
Emerging markets	3 444	2 %	7 639	4 %
Hedge funds	2 297	1 %	6 097	3 %
Structured investments	45 359	24 %	33 757	18 %
Other alternative investments	0	0 %	0	0 %
Real estate property	6 084	3 %	5 492	3 %
Derivatives	31	0 %	172	0 %
Total	191 952	100 %	192 768	100 %

Interest rate risk

The fair value of bonds and other money market instruments according to modified duration

(1 000 euros)	31.12.2014	31.12.2013
-1	29 980	34 208
1 - 3	21 156	35 146
3 - 5	30 109	42 590
5 - 7	23 879	26 438
7 - 10	13 885	5 627
10 - 15	2 307	0
15 -	1 266	0
Total	122 582	144 009
Modified duration	3,82	3,04

As of 31 December 2013, bond funds were not dissolved, but each fund is rated according to its average modified duration.

Counterparty risk

Credit rating of bonds (1 000 euros)	31.12.2014	31.12.2013
AAA	649	857
AA	2 914	2 827
A	19 216	18 373
BBB	24 539	15 959
BB+ or lower	55 627	61 430
No rating	5 812	0
Total	108 757	99 446

As of 31 December 2013, bond funds were not dissolved, but each fund is rated according to its average modified duration.

Structured investments are not rated.

Breakdown of bonds by maturity and credit rating, as of 31 Dec 2014

(1 000 euros) Years	0-1	1-3	3-5	5-7	7-10	10-	Total	Proportion %
AAA	0	0	137	38	222	253	649	0,60 %
AA	0	206	275	602	1 290	541	2 914	2,68 %
A	3 006	532	816	7 207	1 705	5 949	19 216	17,67 %
BBB	193	2 854	2 749	7 967	6 233	4 542	24 539	22,56 %
BB+ or lower	4 638	3 289	25 353	8 487	5 146	8 714	55 627	51,15 %
No rating	325	1 262	1 941	1 379	582	323	5 812	5,34 %
Total	8 163	8 143	31 271	25 680	15 178	20 322	108 757	

Currency risk

Currency position (1 000 euros)	31.12.2014	31.12.2013
EUR	172 891	184 096
USD	8 386	6 632
Other	10 675	2 039
Total	191 952	192 768

Currency positions of fund investments are defined on the basis of the fund's base currency as of 31 Dec 2013. As of 31 Dec 2014, the currency of euro-hedged funds is euro.

The currencies of other funds are based on the listed currencies of the securities held in each fund. To protect parts of investment assets, derivatives may also be used for hedging purposes. The investment risk is monitored using sensitivity analysis and Value at Risk technique. The credit risk of investments is managed through issuer and counterparty limits.

Sensitivity analysis of investment risks

Risk factor (1 000 euros)	Change	Effect on market value
Interest rate	+1%-point	-4 686
	-1%-point	4 686
Equities	-10 %	-1 218
Real estate property	-10 %	-608
Currency	-10 %	-1 906
Structured investments	-10 %	-4 536

Solvency

The minimum operational capital required by the Insurance Companies Act for life insurance operations was MEUR 12.2 as of 31 December 2014. At that time, the company's operational capital was MEUR 47.1, i.e. 3.9 times the required minimum.

Preparing for Solvency II taking effect as of 1 January 2016

In preparation for Solvency II, the company has developed its risk management system and solvency management. During the past year, the company focused on the development and testing of Solvency II calculations and the implementation of its principles. The regulatory solvency calculation and reporting to the authorities will begin in 2015. The company is proactive in ensuring that the Solvency II compliance is achieved before Solvency II requirements take effect.

Note 48.4 Operating segments

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

The chief operating decision maker of the Savings Banks Group is the Board of 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 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 as other operations in the reconciliations.

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

The Asset Management and Life Insurance segment comprises Sp Life Insurance Ltd and Sp Fund Management Company Ltd. Sb Life Insurance Ltd practises life insurance operations, whereas Sp Fund Management Company Ltd is engaged in administration of mutual funds and asset management. 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 consolidated financial statements of the Savings Banks Group, which are presented in Note 2.

Internal transactions of the Group are eliminated within the segment if the entities are included in the same reportable segment. Internal transactions between entities which belong to different segments are included in the eliminations presented in reconciliations. 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.

2014 (1 000 euros)	Banking	Asset Management and Life Insurance	Reportable segments in total
Income statement			
Net interest income	121 713	11	121 724
Net fee and commission income	61 180	5 912	67 092
Net trading income	602	0	602
Net investment income	21 613	134	21 747
Net life insurance income	0	6 247	6 247
Other operating revenue	17 738	42	17 779
Total operating revenue*	222 846	12 346	235 192
Personnel expenses	-59 050	-4 634	-63 684
Other operating expenses	-73 853	-4 494	-78 347
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-7 778	-1 378	-9 156
Total operating expenses	-140 681	-10 506	-151 187
Net impairment loss on financial assets	-10 639	0	-10 639
Share of profits or losses of associates	1 634	0	1 634
Profit before tax	73 160	1 841	75 000
Income tax expense	-15 826	-369	-16 195
Profit	57 334	1 471	58 805
* of which external	215 759	18 260	234 019
* of which internal	7 086	-5 914	1 173
Statement of financial position			
Cash and cash equivalents	532 764	0	532 764
Assets at fair value through profit or loss	20 553	0	20 553
Loans and advances to credit institutions	193 842	7 087	200 930
Loans and advances to customers	5 650 112	0	5 650 112
Derivatives	88 705	0	88 705
Investment assets	1 217 097	0	1 217 097
Life insurance assets	0	435 887	435 887
Investments in associates and joint ventures	39 712	0	39 712
Other assets	117 213	5 344	122 557
Total assets	7 859 998	448 318	8 308 316
Liabilities to credit institutions	448 360	0	448 360
Liabilities to customers	5 824 167	0	5 824 167
Derivatives	4 227	0	4 227
Debt securities issued	446 483	0	446 483
Life insurance liabilities	0	408 364	408 364
Subordinated liabilities	168 834	1 000	169 834
Other liabilities	161 245	3 218	164 463
Total liabilities	7 053 315	412 582	7 465 897

Reconciliations:

(1 000 euros)	2014	2013
Revenue		
Total revenue for reportable segments	235 192	213 150
Inter-segment eliminations, reportable segments	1 173	-112
Non allocated revenue, other operations	-12 461	11 802
Total revenue of the Group	223 903	224 841
Profit		
Total profit or loss for reportable segments	58 805	56 423
Non allocated amounts	-12 195	9 589
Total profit of the Group	46 610	66 013
Assets		
Total assets for reportable segments	8 308 316	7 635 067
Inter-segment eliminations, reportable segments	-30 099	-29 409
Non allocated assets, other operations	122 327	111 730
Total assets of the Group	8 400 544	7 717 389
Liabilities		
Total liabilities for reportable segments	7 465 897	6 866 608
Inter-segment eliminations, reportable segments	-17 880	-17 483
Non allocated liabilities, other operations	111 296	87 177
Total liabilities of the Group	7 559 313	6 936 303

2013 (1 000 euros)	Banking	Asset Management and Life Insurance	Reportable segments in total
Income statement			
Net interest income	110 215	-22	110 194
Net fee and commission income	57 631	4 609	62 240
Net trading income	2 097	0	2 097
Net investment income	22 164	0	22 164
Net life insurance income	0	8 587	8 587
Other operating revenue	7 761	108	7 869
Total operating revenue*	199 868	13 283	213 150
Personnel expenses	-58 088	-3 545	-61 634
Other operating expenses	-73 010	-3 492	-76 503
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-7 511	-1 128	-8 638
Total operating expenses	-138 609	-8 165	-146 775
Net impairment loss on financial assets	-5 859	0	-5 859
Share of profits or losses of associates	114	0	114
Profit before tax	55 514	5 117	60 631
Income tax expense	-3 925	-283	-4 208
Profit	51 589	4 834	56 423
* of which external	194 665	18 597	213 262
* of which internal	5 203	-5 314	-112
Statement of financial position			
Cash and cash equivalents	47 823	0	47 823
Assets at fair value through profit or loss	16 986	0	16 986
Loans and advances to credit institutions	513 660	1 958	515 618
Loans and advances to customers	5 302 204	0	5 302 204
Derivatives	61 056	0	61 056
Investment assets	1 181 451	0	1 181 451
Life insurance assets		349 637	349 637
Investments in associates and joint ventures	38 328	0	38 328
Other assets	116 699	5 266	121 965
Total assets	7 278 206	356 861	7 635 067
Liabilities to credit institutions	297 579	0	297 579
Liabilities to customers	5 626 543	0	5 626 543
Derivatives	3 763	0	3 763
Debt securities issued	282 851	0	282 851
Life insurance liabilities		317 770	317 770
Subordinated liabilities	192 824	1 000	193 824
Other liabilities	140 204	4 073	144 277
Total liabilities	6 543 766	322 843	6 866 608

Note 48.5 Net interest income

(1 000 euros)	1-12/2014	1-12/2013
Interest income		
Debts eligible for refinancing with Central Bank	5 625	5 965
Loans and advances to credit institutions	4 625	4 586
Loans and advances to customers*	126 129	112 070
Debt securities	20 026	19 880
Derivative contracts		
Hedging	3 520	5 282
Held for trading	902	638
Other	1 392	1 458
Total	162 219	149 880
* of which interest income from impaired loans	497	357
Interest expense		
Liabilities to credit institutions	3 754	2 704
Liabilities to customers	43 027	46 192
Debt securities issued	6 060	3 330
Derivative contracts		
Hedging	-16 890	-16 841
Subordinated liabilities	4 169	3 747
Other	77	136
Total	40 197	39 268
Net interest income	122 022	110 612

Note 48.6 Net fee and commission income

(1 000 euros)	1-12/2014	1-12/2013
Fee and commission income		
Lending	16 409	17 308
Deposits	1 036	787
Payment transfers	28 679	26 640
Securities brokerage	2 069	2 030
Mutual fund brokerage	12 647	13 787
Asset management	534	221
Legal services	2 663	2 520
Custody fees	1 782	918
Guarantees	1 315	1 247
Other	5 152	475
Total	72 288	65 932
Fee and commission expense		
Payment transfers	2 919	2 474
Securities	2 083	1 828
Asset management	285	90
Other	3 510	2 735
Total	8 798	7 126
Net fee and commission income	63 490	58 806

Note 48.7 Net trading income

(1 000 euros)	1-12/2014	1-12/2013
Financial assets and liabilities held for trading		
- Capital gains and losses	37	143
- Fair value gains and losses*	461	2 145
- Dividend income	8	10
Net income from foreign exchange operation	8	-17
Net income from hedge accounting		
- Change in hedging instruments' fair value	26 916	-20 387
- Change in hedged items' fair value	-26 829	20 204
Total	602	2 097

* including EUR 28 thousand (EUR -81 thousand) of ineffective portion of cash flow hedges.

Derivatives and hedge accounting are presented in more detail in Note 48.21

Note 48.8 Net investment income

(1 000 euros)	1-12/2014	1-12/2013
Net income from available-for-sale financial assets		
Debt securities		
- Capital gains and losses	2 161	1 684
- Transferred from fair value reserve during the financial year	4 704	3 539
- Impairment losses and their reversal	-400	-867
Total Debt securities	6 465	4 356
Shares and participations		
- Capital gains and losses	509	1 224
- Transferred from fair value reserve during the financial year	14 685	14 547
- Impairment losses and their reversal	-1 051	0
- Dividend income	2 061	2 516
Total shares and participations	16 203	18 288
Total	22 668	22 644
Net income from investment property		
Rental and dividend income	6 833	7 068
Capital gains and losses	525	168
Other income from investment property	162	165
Maintenance charges and expenses	-4 773	-4 748
Depreciation and amortisation of investment property	-1 969	-1 826
Rental expenses arising from investment property	-30	-27
Total	748	799
Total	23 417	23 444

Note 48.9 Net life insurance income

(1 000 euros)	1-12/2014	1-12/2013*
Premiums written		
Group's share	101 933	61 744
Insurance premiums ceded to reinsurers	-180	-37
Net investment income	25 331	18 824
Claims incurred		
Claims paid	-25 913	-17 231
Change in provision for unpaid claims	-174	1 067
Reinsurers' share	14	0
Change in insurance contract liabilities		
Change in life insurance provision	-88 863	-52 095
Other	-2 271	-468
Total net life insurance income	9 876	11 803

* The figures for 2013 are not fully comparable as the Group acquired control in Sp Life Insurance Ltd in March 2013 and therefore Sp Life Insurance has been consolidated into Group's financial accounts starting from the time of the acquisition.

Premiums written (1 000 euros)	1-12/2014	1-12/2013*
Premiums written from insurance contracts		
Premiums written from risk insurance contracts		
Risk insurances	6 610	4 328
Total	6 610	4 328
Premiums written from insurance contracts with entitlement to discretionary portion of surplus:		
Savings insurance	10 818	12 964
Voluntary pension insurance	735	695
Voluntary group pension insurance	196	138
Capitalization agreement		
Total	11 749	13 797
Premiums written from unit-linked insurance contracts		
Savings insurance	62 464	32 689
Voluntary pension insurance	5 439	4 818
Voluntary group pension insurance	766	606
Capitalization agreement	1 767	430
Total	70 436	38 544
Total	**88 795**	**56 669**
Premiums written from investment contract		
Premiums written from unit-linked investment contracts	13 139	5 076
Total	13 139	5 076
Total premiums written	**101 933**	**61 744**

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

Net investment income (1 000 euros)	1-12/2014	1-12/2013*
Interest income	2 258	1 578
Interest expenses	0	-1
Dividend income	122	209
Net income from investment property	80	22
Realized capital gains and losses	6 412	4 334
Impairment losses	7 635	-2 452
Other investments	47	97
Net income from foreign exchange operation	-1	3
Net income from unit-linked customer assets	8 776	15 035
Total	25 331	18 824

Benefits paid (1 000 euros)	1-12/2014	1-12/2013*
Benefits paid from insurance contracts		
Benefits paid from risk insurance contracts	-336	-3 119
Benefits paid from insurance contracts entitling to discretionary portion of surplus		
Savings insurance		
Maturities	-2 099	-1 229
Death benefits	-7 055	-3 510
Surrenders	-3 987	-2 317
Total	-13 141	-7 057
Voluntary pension insurance		
Annuities	-375	-268
Death benefits	-30	-9
Surrenders	-64	-22
Total	-469	-299
Voluntary group pension insurance		
Pensions	-8	-1
Surrenders	-2	0
Total	-10	-1
Capitalization agreement		
Maturities	-783	0
Surrenders	0	-831
Total	-783	-831
Benefits paid from unit-linked insurance contracts		
Savings insurance		
Maturities	-1 571	-913
Death benefits	-3 673	-1 882
Surrenders	-3 922	-2 736
Total	-9 166	-5 531
Voluntary pension insurance		
Pensions	-191	-124
Death benefits	-22	-44
Surrenders	-356	-220
Total	-570	-388
Voluntary group pension insurance		
Pensions	-9	0
Surrenders	-3	-4
Total	-12	-4
Total benefits paid from insurance contracts	**-24 486**	**-17 231**
Benefits paid from investment contracts		
Death benefits	-1 404	0
Surrenders	-23	0
Total	-1 427	0
Total benefits paid from investment contract	-1 427	0
Total direct insurance	-25 913	-17 231
Total benefits paid	-25 913	-17 231

The company assigned part of its risk insurance portfolio to another company on 30 June 2013. The transfer was made free of charge. Assets and liabilities transferred amounted to EUR 2 645 thousand.

On 1 January 2013, the company gave up the employees' group life insurance, which is managed by the employees' group life insurance pool. This change affected the profit of the financial years 2013 and 2014. The items of the employees' group life insurance are included in the financial figures of term insurances.

Change in insurance contract liabilities

Change in liabilities for insurance policies 2014 (1 000 euros)	Provision 1.1.2014	Premiums	Claims	Interest and changes in fair value	Other charges and credits	Other items	Provision 31 Dec 2014
Other than unit-linked contract liabilities							
Insurance liability discounted with interest rate guarantee	141 249	11 749	-21 583	2 814	-1 198	4	133 036
Reserve for decreased discount rate	557					655	1 213
Reserve for increased operating costs						5 410	5 410
Risk insurance liability	431	6 610	-14	3	-6 632	62	460
Unit-linked contract liabilities							
Liabilities for unit-linked insurance contracts	163 494	70 436	-2 589	13 760	-2 806	-166	242 130
Liabilities for unit-linked investment contracts	6 048	13 139	-1 427	730	-25	0	18 464
Reserve arising from liability adequacy test							
Total	311 780	101 933	-25 613	17 308	-10 661	5 965	400 712

Change in liabilities for insurance policies 2013 (1 000 euros)	Provision 1.1.2013	Premiums	Claims	Interest and changes in fair value	Other charges and credits	Other items	Provision 31.12.2013
Other than unit-linked contract liabilities							
Insurance liability discounted with interest rate guarantee	135 374	22 380	-18 056	2 919	-1 416	49	141 249
Reserve for decreased discount rate						557	557
Risk insurance liability	3 375	6 304	-2 179	4	-7 664	590	431
Unit-linked contract liabilities							
Liabilities for unit-linked insurance contracts	104 925	48 321	-915	14 312	-1 969	-1 180	163 494
Liabilities for unit-linked investment contracts	100	5 765	0	185	-2	0	6 048
Reserve arising from liability adequacy test							
Total	243 773	82 770	-21 149	17 421	-11 052	17	311 780

According to the liability test the amount of the insurance contract liability was adequate during financial years 2013 or 2014.

Note 48.10 Income and expenses from financial instruments

(1 000 euros)	1-12/2014	1-12/2013
Interest income on:		
- Unimpaired held-to-maturity investments	1 211	1 803
- Loans and receivables	132 146	118 115
- Available-for-sale financial assets	23 601	23 137
Total interest income arising from financial assets not measured at fair value through profit or loss	156 958	143 054
Available-for-sale financial assets:		
- Dividend income	2 061	2 516
- Reclassified from OCI	14 685	18 086
Financial assets at fair value through profit or loss - net change in fair value:		
- Held-for-trading	2 026	4 347
Cash flow hedges - reclassified from OCI	28	0
Finance income	175 758	168 003
Financial liabilities measured at amortised cost - interest expense	-57 086	-56 109
Available-for-sale financial assets - impairment loss	-1 051	-867
Loan receivables - impairment loss	-10 619	-5 859
Cash flow hedges - ineffective portion of changes in fair value	0	-81
Financial assets at fair value through profit or loss - net change in fair value:		
- Held-for-trading	-1 594	-2 121
Finance expenses	-70 351	-65 037
Net financial expenses recognised in profit or loss	105 407	102 966

Liite 48.11 Other operating revenue

(1 000 euros)	1-12/2014	1-12/2013
Rental and dividend income from owner-occupied property	154	247
Capital gains from owner-occupied property	225	190
Other income from Banking	3 496	7 143
Other*	621	10 499
Total	4 497	18 079

* 2013 including EUR 8.498 thousand of negative goodwill related to the acquisition of Sb Life Insurance Ltd. The acquisition of Sb Life Insurance Ltd is presented in more detail in the Note 48.45 Business combinations.

Note 48.12 Personnel expenses

(1 000 euros)	1-12/2014	1-12/2013
Wages and salaries	54 493	52 655
Pension expenses		
- Defined contribution plans	10 226	9 585
- Defined benefit plans	901	918
Other personnel related costs	2 254	2 094
Total	67 874	65 252
Full-time	1 028	1 041
Part-time	39	40
Temporary	94	75
Total	1 161	1 156
Number of employees converted to FTEs	1 072	1 082
Average number of FTEs during the financial year	1 084	1 087

Remuneration

Pilar III information on remuneration is presented in the table below. The Amalgamation's remuneration policy is described in more detail in Note 48.2 Corporate Governance.

(1 000 euros)	2014	
Salaries and remuneration	Fixed salaries	Variable renumeration
Top management	3 194	585
Risk takers	12 137	665
Others	37 019	893

(1 000 euros)	2013	
Salaries and remuneration	Fixed salaries	Variable renumeration
Top management	2 988	508
Risk takers	11 666	677
Others	36 620	196

Total salaries and remuneration by business segments

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

(1 000 euros)	Banking	Assets management and Life insurance	Other	Total 2014	Total 2013
Fixed salaries	45 505	3 370	3 474	52 350	51 274
Variable remuneration	1 700	444	0	2 144	1 381
Number of employees	1 048	64	49	1 161	1 156

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

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

During the financial year a total of EUR 287 thousand of redundance payments have been paid to 9 persons.

The Savings Banks Group does not apply the provisions of Chapter 8, Sections 9, 11 and 12, of the Act on Credit Institutions to those employees whose variable remuneration for one year does not exceed EUR 50,000.

If the amount of variable compensation exceeds EUR 50,000, it is taken into account that at least half of the compensation must be effected in non-cash form.

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

Note 48.13 Other operating expenses

(1 000 euros)	1-12/2014	1-12/2013
Other administrative expenses		
Other personnel expenses	5 208	5 206
Office expenses	6 171	5 958
ICT expenses	27 462	27 551
Telecommunications	3 738	3 502
Representation expenses	549	489
Marketing	7 068	8 242
Total	50 195	50 948
Other operating expenses		
Rental expenses	5 415	4 188
Expenses arising from owner-occupied property	5 800	6 026
Bank levy	5 226	4 746
Other operating expenses*	9 253	9 460
Total	25 694	24 419
Other operating expenses total	75 889	75 366

***Audit fees**		
Statutory audit	425	329
Audit related services	18	2
Tax advisory	60	16
Other services	306	169
Total	810	516

Note 48.14 Depreciation, amortisation and impairment of property, plant and equipment and intangible assets

(1 000 euros)	1-12/2014	1-12/2013
Depreciation and amortisation of property, plant and equipment	5 458	5 619
Depreciation and amortisation of intangible assets	3 745	3 070
Total depreciation and amortisation	9 203	8 689
Impairment of intangible assets	16	44
Total impairment	16	44
Total depreciation, amortisation and impairment of property, plant and equipment and intangible assets	9 218	8 732

Note 48.15 Income taxes

(1 000 euros)	1-12/2014	1-12/2013
Current tax	-13 607	-10 385
Tax for prior years	60	-52
Change in deferred tax assets	163	-1 207
Change in deferred tax liabilities	-3 120	6 595
Income taxes	-16 505	-5 049
Other direct taxes	-22	-13
Total income taxes	-16 527	-5 062

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

Reconciliation of effective tax rate

Accounting profit before tax	63 137	71 074
Differences between accounting and taxable profit	19 798	-4 933
Taxable profit	82 935	66 141
Tax using the domestic corporate income tax rate	-12 627	-17 423
Tax-exempt income	915	2 806
Non-deductible expenses	-2 963	-2 344
Unrecognised deductible expenses	27	0
Unrecognised taxable income	-2 753	0
Use of approved tax losses for prior years	880	1 218
Recognition of previously unrecognised tax losses	-66	-471
Tax for prior years	60	-52
Effect of tax rate change on deferred tax balances		11 205
Tax expense	-16 527	-5 062
Corporate income tax rate	20 %	24.5 %

More information on deferred taxes is presented in Note 48.16

Note 48.16 Deferred taxes

(1 000 euros)	2014	2013
Deferred tax assets	2 725	2 686
Income tax receivable	478	1 811
Tax assets	3 203	4 497
Deferred tax liabilities	70 822	65 143
Income tax liability	5 271	2 165
Tax liabilities	76 093	67 307

2014	1 Jan 2014	Change recog-nised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31 Dec 2014
Deferred tax assets								
Financial assets	1 233		-243					989
Cash flow hedges			8	39				47
Property, plant and equipment	817	29						846
Defined benefit pension plans	293	22			73			388
Approved tax losses	343	112						455
Total	2 686	163	-235	39	73			2 725

The unused tax losses of the Savings Banks Group amount to EUR 1.5 million, for which no deferred tax assets have been recognised. The losses expire in 2021-2024.

In addition the Group has applied for an exemption from Uusimaa corporate tax office to deduct the unused tax losses of Central Bank of Savings Banks Finland Ltd from years 2009-2013 (EUR 13.1 million). An exemption is needed if more than 50 percentage of the shares have been sold. The Group aqcuired 80.16% of the shares of Central Bank of Savings Banks Finland in April 2013. Exemption has not yet been received.

2014	1 Jan 2014	Change recog-nised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31 Dec 2014
Deferred tax liabilities								
Appropriations	48 143	3 046						51 189
Financial assets	11 113	80	2 108					13 301
Cash flow hedges	857			349				1 206
Intangible assets	2 234	304						2 538
Property, plant and equipment	2 796	-207						2 588
Other		-102					102	
Total	65 143	3 120	2 108	349			102	70 822

2013	1 Jan 2013	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31 Dec 2013
Deferred tax assets								
Financial assets	2 409		-1 176					1 233
Cash flow hedges								
Property, plant and equipment	739	75					3	817
Defined benefit pension plans	255	16			22			293
Approved tax losses	352	-1 298				1 289		343
Total	3 755	-1 207	-1 176		22	1 289	3	2 686

The unused tax losses of the Savings Banks Group amount to EUR 6.7 million, for which no deferred tax assets have been recognised. The losses expire 2014-2023.

2013	1 Jan 2013	Change recognised in profit or loss	Financial assets	Cash flow hedging	Defined benefit pension plans	Restructuring	Other	31 Dec 2013
Deferred tax liabilities								
Appropriations	53 902	-5 124				586	-1 221	48 143
Financial assets	10 878	-266	-3 255			3 755		11 113
Cash flow hedges	1 474			-617				857
Intangible assets	1 756	-109				587		2 234
Property, plant and equipment	3 312	-520					3	2 796
Other	465	-577					112	0
Total	71 787	-6 595	-3 255	-617		4 928	-1 106	65 143

Note 48.17 Classification of financial assets and financial liabilities

2014 (1 000 euros)	Loans and other 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	532 764							532 764
Financial assets at fair value through profit or loss	0			1 283	130 745			132 028
Loans and advances to credit institutions	201 453							201 453
Loans and advances to customers	5 648 909							5 648 909
Derivatives				88 705				88 705
hedging derivatives				87 746				
cash flow				10 366				
fair value				77 380				
Other than hedging derivatives				960				
Investment assets		1 116 250	29 876				41 707	1 187 833
Life insurance assets*		137 134		30	299 435		3 166	439 765
Total assets	6 383 125	1 253 384	29 876	90 019	430 180	0	44 873	8 231 456
Liabilities at fair value through profit or loss					111 475			111 475
Liabilities to credit institutions						448 360		448 360
Liabilities to customers						5 807 791		5 807 791
Derivatives								
hedging derivatives				4 227				4 227
cash flow				3 049				
fair value				1 178				
Other than hedging derivatives								
Debt securities issued						446 484		446 484
Life insurance liabilities*					260 594	140 118	3 930	404 642
Subordinated liabilities						169 131		169 131
Total liabilities				4 227	372 069	7 011 884	3 930	7 392 109

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

2013 (1 000 euros)	Loans and other receivables	Available-for-sale	Held-to-maturity	Held-for-trading	Designated as at fair value on initial recognition	Other financial liabilities	No financial assets/liabilities	Total
Cash and cash equivalents	47 823							47 823
Financial assets at fair value through profit or loss				1 182	103 939			105 120
Loans and advances to credit institutions	513 681							513 681
Loans and advances to customers	5 301 417							5 301 417
Derivatives				61 056				61 056
hedging derivatives				60 318				
cash flow				7 466				
fair value				52 852				
Other than hedging derivatives				738				
Investment assets		1 099 460	41 839				40 656	1 181 955
Life insurance assets*		120 632		145	217 960		4 304	343 041
Total assets	5 862 921	1 220 092	41 839	62 382	321 899	0	44 961	7 554 092
Liabilities at fair value through profit or loss					88 134			88 134
Liabilities to credit institutions						297 579		297 579
Liabilities to customers						5 609 508		5 609 508
Derivatives				3 763				3 763
hedging derivatives				3 763				
cash flow				1 675				
fair value				2 088				
Other than hedging derivatives								
Debt securities issued						282 851		282 851
Life insurance liabilities*					169 542	142 237	2 374	314 153
Subordinated liabilities						193 037		193 037
Total liabilities				3 765	257 677	6 332 175	2 374	6 592 225

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

Note 48.18 Cash and cash equivalents

(1 000 euros)	2014	2013
Cash	19 255	20 249
Receivables from central banks repayable on demand	513 509	27 574
Total	532 764	47 823

Cash and cash equivalents are specified in the cash flow statement.

Note 48.19 Financial assets at fair value through profit or loss

(1 000 euros)	2014	2013
Trading assets		
Debt securities		
Debt securities from others	478	467
Shares and participations	805	715
Total	1 283	1 182
Designated as at fair value through profit or loss on initial recognition		
Debt securities		
Debt securities entitling to funding from Central Bank	341	354
Debt securities from public entities	4	7
Debt securities from others	18 924	15 443
Shares and participations*	111 475	88 134
Total	130 745	103 939
Total financial assets at fair value through profit or loss	132 028	105 120

* The item includes the other owners' interests in the consolidated mutual funds of which more information in presented in Note 48.41 Entities included in consolidated financial statements.

Note 48.20 Loans and receivables

(1 000 euros)	2014	2013
Loans and advances to credit institutions		
Deposits	201 453	513 681
Total	201 453	513 681
Loans and receivables to customers		
Used overdrafts	75 724	71 480
Loans	5 353 186	5 013 913
Interest subsidized housing loans	235 053	219 499
Loans granted from government funds	7 173	9 360
Guarantees	2 458	694
Other receivables	2 875	3 491
Impairment losses	-27 560	-17 021
Total	5 648 909	5 301 417

Impairment losses on loans and other receivables (1 000 euros)	Measured by individual contract	Measured by group	Total
2014			
Impairments 1 January 2014	16 710	311	17 021
+ increase in impairment losses	10 235	5 387	15 623
- reversal of impairment losses	-2 392		-2 392
- final write-offs	-2 691		-2 691
Impairments 31 December 2014	21 862	5 698	27 560
2013			
Impairments 1 January 2013	10 702	460	11 162
+ increase in impairment losses	10 003	0	10 003
- reversal of impairment losses	-1 236	-149	-1 385
- final write-offs	-2 760	0	-2 760
Impairments 31 December 2013	16 710	311	17 021

Changes in the carrying amount of impaired loans and receivables (1 000 euros)	2014	2013
Impaired loans and receivables 1 January	34 373	29 844
Loans and receivables classified as impaired during the year	7 341	4 385
Reversals for impaired receivables during the year	-1 202	144
Impaired loans and receivables 31 December	40 512	34 373

Note 48.21 Derivatives and hedge accounting

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

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

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

(1 000 euros)	Nominal value / remaining maturity				Fair value	
2014	less than 1 year	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Held-for-trading						
Interest rate derivatives	10 000			10 000	157	
Credit derivatives		15 000		15 000	802	
Total	10 000	15 000		25 000	960	
Hedging derivative contracts						
Fair value hedging	110 848	423 318	292 853	827 019	80 429	4 227
Interest rate derivatives	87 415	362 000	289 000	738 415	76 682	1 178
Equity and index derivatives	23 433	61 318	3 853	88 604	3 747	3 049
Cash flow hedging	41 000	15 000	50 000	106 000	7 317	
Interest rate derivatives	41 000	15 000	50 000	106 000	7 317	
Total	151 848	438 318	342 853	933 019	87 746	4 227
Derivatives total					**88 705**	**4 227**

In the financial year 2014, EUR 1.510 thousand of effective cash flow hedging was recognised in other comprehensive income.

The ineffective portion of cash flow hedging totalled EUR 28 thousand in the financial year 2014 and is recognised in Net trading income (Note 48.7).

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

(1 000 euros)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	2 301	4 246	1 791	**8 339**

(1 000 euros) 2013	Nominal value / remaining maturity less than 1 year	1 - 5 years	more than 5 years	Total	Fair value Assets	Liabilities
Held-for-trading						
Credit default swaps		15 000		15 000	738	
Total		15 000		15 000	738	
Hedging derivative contracts						
Fair value hedging	121 350	441 681	330 000	893 031	54 527	3 427
Interest rate derivatives	121 000	411 000	330 000	862 000	52 627	1 752
Fx derivatives	350			350	53	53
Equity and index derivatives		30 681		30 681	1 847	1 623
Cash flow hedging	65 000	75 000		140 000	5 791	337
Interest rate derivatives	65 000	75 000		140 000	5 791	337
Total	186 350	516 681	330 000	1 033 031	60 318	3 763
Derivatives total					**61 056**	**3 763**

In the financial year 2013 EUR -3.545 thousand of effective cash flow hedging was recognised in other comprehensive income.

The ineffective portion of cash flow hedging totalled EUR -81 thousand in the financial year 2014 and is recognised in Net trading income (Note 48.7).

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

(1 000 euros)	less than 1 year	1 - 5 years	more than 5 years	Total
Interest rate derivatives	3 200	3 163	0	**6 363**

Note 48.22 Investment assets

(1 000 euros)	2014	2013
Available-for-sale financial assets		
Debt securities	692 381	691 201
Shares and participations	423 869	408 260
Total	1 116 250	1 099 460
Held-to-maturity investments		
Debt securities	29 876	41 839
Total	29 876	41 839
Investment property	41 707	40 656
Total investment assets	1 187 833	1 181 955

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

2014	Available-for-sale Debt securities	Available-for-sale shares and participations			Held-to-maturity investments	Total
(1 000 euros)	At fair value	At fair value	At cost*	Total	At amortised cost	
Quoted	631 161	422 562		422 562	26 264	1 079 986
From public entities	133 015			0	22 653	155 667
From others	498 146	422 562		422 562	3 611	924 318
Other	61 220		1 307	1 307	3 612	66 140
From others	61 220		1 307	1 307	3 612	66 140
Total	692 381	422 562	1 307	423 869	29 876	1 146 126

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

Impairment loss on available-for-sale financial assets	Debt securities	Shares and participations	Total
Impairment losses 1 January 2014	867	214	1 081
+ increase in impairment loss	525	1 051	1 576
- reversal of impairment loss	-125	0	-125
Impairment losses 31 December 2014	1 267	1 198	2 465

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

2013	Available-for-sale Debt securities	Available-for-sale shares and participations			Held-to-maturity investments	Total
(1 000 euros)	At fair value	At fair value	At cost*	Total	At amortised cost	
Quoted	572 290	406 756		406 756	33 626	1 012 672
From public entities	43 631			0	22 702	66 332
From others	528 660	406 756		406 756	10 924	946 340
Other	118 910		1 504	1 504	8 213	128 627
From public entities	15 429			0		15 429
From others	103 481		1 504	1 504	8 213	113 198
Total	691 201	406 756	1 504	408 260	41 839	1 141 299

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

Impairment loss on available-for-sale financial assets	Debt securities	Shares and participations	Total
Impairment losses 1 January 2013	0	284	284
+ increase in impairment loss	872	9	881
- reversal of impairment loss	-5	-6	-11
Impairment losses 31 December 2013	867	214	1 081

Investment property	2014	2013
Acquisition cost 1 January	51 894	51 414
Increases	4 269	3 182
Decreases	-2 411	-2 701
Acquisition cost 31 December	53 970	51 894
Accumulated depreciation and impairments 1 January	-11 238	-9 350
Other changes	711	-36
Accumulated depreciation / fair value adjustments of decreases and transfers	-10 527	-9 386
Depreciation for the financial year	-1 736	-1 852
Accumulated depreciation and impairments 31 December	-12 262	-11 238
Carrying amount 1 January	40 656	42 064
Carrying amount 31 December	41 707	40 656

Note 48.23 Life insurance assets

(1 000 euros)	2014	2013
Investments		
Investment property	367	367
Shares	81 872	116 352
Derivatives	30	145
Certificates of deposit	9 987	0
Bonds	38 318	50 192
Index loans	45 359	4 480
Unquoted investments	1 120	1 052
Private equity investments	5 837	5 125
Total	182 890	177 712
Investments covering for unit-linked policies		
Investment funds	187 314	119 876
Asset management portfolio	48 098	34 207
Other unit-linked covering assets	18 664	7 308
Total	254 076	161 391
Total investments	**436 966**	**339 103**
Other assets		
Other receivables	570	2 113
Accrued income	2 229	1 850
Total	2 799	3 963
Total life insurance assets	**439 765**	**343 066**
Life insurance investments		
Financial assets at fair value through profit or loss		
Debt securities	45 359	56 569
Shares	254 076	161 391
Derivative contracts	30	145
Total	299 465	218 105
Available-for-sale financial assets		
Debt securities	48 305	15 949
Shares and participations	88 829	104 682
Total	137 134	120 632
Investment property		
Buildings	367	367
Total	367	367
Total investments	436 966	**339 103**

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

(1 000 euros)	2014			2013		
	Debt securities	Shares and participations	Derivatives	Debt securities	Shares and participations	Derivatives
Quoted	42 886	254 076	30	54 538	161 391	145
Other	2 473			2 031		
Total	45 359	254 076	30	56 569	161 391	145

Available-for-sale life insurance financial assets

2014	Available-for-sale debt securities		Available-for-sale shares and participations		
(1 000 euros)	At fair value	Total	At fair value	At cost*	Total
Quoted	38 318	38 318	82 947		82 947
Other	9 987	9 987	3 632	2 250	5 882
Total	48 305	48 305	86 579	2 250	88 829

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

Available-for-sale life insurance financial assets

2013	Available-for-sale debt securities		Available-for-sale shares and participations		
(1 000 euros)	At fair value	Total	At fair value	At cost*	Total
Quoted	8 739	8 739	99 557		99 557
From public entities	1 935	1 935			
Other	5 276	5 276	2 875	2 250	5 125
Total	15 949	15 949	102 432	2 250	104 682

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

Changes in life insurance investment property (1 000 euros)	2014	2013
Acquisition cost 1 January	367	367
Acquisition cost 31 December	367	367

Note 48.24 Investments in associates and joint ventures

Interests in associates

Reconciliation of interests in associates 1 January and 31 December:

(1 000 euros)	2014	2013
At the beginning of financial year	42 202	57 261
Share of profits for the financial year	2 834	1 489
Share of the other comprehensive income	-68	0
Additions	133	0
Decreases	0	-15 654
Dividends received	-800	-894
At the end of financial year	44 301	42 202

Information on the material associates of the Group:

Name	Domicile	Sector	Ownership (%)		Share of votes (%)	
			2014	2013	2014	2013
Oy Samlink Ab	Espoo	Software design and manufacturing	42.00	40.41	44.07	43.90
Aktia Hypoteekkipankki Oyj	Helsinki	Lending	31.61	31.61	16.08	16.08

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

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

The investments in associated companies mentioned above are measured in the consolidated financial statements using the equity method.

Summarised financial information about material associates based on the companies' own financial statements:

	Samlink		Aktia Real Estat Mortgage Bank	
(1 000 euros)	2014	2013	2014	2013
Total assets	30 598	33 724	2 232 138	3 045 028
Total liabilities	16 172	20 455	2 095 915	2 913 615
Revenue	96 731	93 815	0	0
Total operating revenue	96 769	93 836	8 452	3 412
Profit or loss	2 857	3 287	5 170	378
Other comprehensive income	0	0	-232	531
Total comprehensive income	2 857	0	4 938	909
Dividends received from the associate during the period	618	466	182	428
Reconciliation of the summarised financial information of the associate to the carrying amount in the Group's statement of financial position:				
Net assets of the associate	14 426	13 077	136 224	131 413
Group ownership	42.00 %	40.41 %	31.61 %	31.61 %
Adjustments	1 470	1 411	3 348	3 212
Carrying amount of the associate in the Group's statement of financial position	4 589	3 874	39 712	38 328

Sp Holding sold its shares in ACH Finland on 26 June 2013. ACH Finland was consolidated in the financial statements of the Savings Banks Group as an associate until the date of disposal.

Joint arrangements

The Savings Banks Group has no material joint arrangements.

The Savings Banks Group acquired control over Life Insurance Company Duo (current Sb Life Insurance Ltd), the Group's joint venture, on 31 March 2013. After acquiring control, the company has been treated as a subsidiary of the Group. The acquisition is described in more detail in Note 48.45 "Business Combinations".

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

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

Name	Domicile	Ownership	
		2014	2013
Kiinteistö Oy Ikaalisten Säästökeskus	Ikaalinen	90.80 %	90.80 %
Asunto Oy Salamankulma	Turku	37.01 %	37.01 %
Kiinteistö Oy Liedon Liikekeskus	Lieto	85.70 %	85.70 %
Kt Oy Lohjan Pankkitalo	Lohja	100.00 %	100.00 %
Koy Iisalmen Pohjolankatu 6	Iisalmi	100.00 %	100.00 %

Note 48.25 Property, plant and equipment

(1 000 euros)	2014	2013
Owner-occupied property		
Land and water	952	965
Buildings	49 021	46 897
Machinery and equipment	5 119	5 507
Other tangible assets	843	825
Advance payments and construction in progress	17	324
Total property, plant and equipment	55 953	54 519

2014 Changes in property, plant and equipment (1 000 euros)	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 January	74 433	32 217	1 601	324	108 575
Increases	5 441	1 811	62	10	7 324
Decreases	-614	-778	-4	-317	-1 713
Acquisition cost 31 December	79 260	33 250	1 659	17	114 187
"Accumulated depreciation and impairments					
1 January"	-26 571	-26 710	-776	0	-54 056
Depreciation for the financial year	-2 871	-1 932	-41		-4 844
Impairments for the financial year	-65				-65
Decreases	220	511	1		732
Accumulated depreciation and impairments 31 December	-29 287	-28 131	-816	0	-58 233
Carrying amount 31 December	49 974	5 119	843	17	55 953

There are no significant ownership restriction related to the property, plant and equipment owned by the Group.

The Group has recognized EUR 162 thousand of compensation for insurance recoveries in profit of which EUR 80 thousand was booked in other operating revenue and EUR 82 thousand in other operating expenses.

2013 Changes in property, plant and equipment (1 000 euros)	Owner-occupied property	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 January	71 274	29 684	1 529	0	102 487
Increases	4 273	3 747	74	324	8 418
Decreases	-1 114	-1 214	-2		-2 330
Acquisition cost 31 December	74 433	32 217	1 601	324	108 575
Accumulated depreciation and impairments 1 January	-24 046	-24 246	-747	0	-49 040
Depreciation for the financial year	-2 989	-2 130	-30		-5 149
Impairments for the financial year	-7				-7
Decreases	472	-152	2		322
Other changes		-182			-182
Accumulated depreciation and impairments 31 December	-26 571	-26 710	-776	0	-54 056
Carrying amount 31 December	47 862	5 507	825	324	54 519

Note 48.26 Intangible assets

(1 000 euros)	2014	2013
Intangible rights	10 369	3 663
Authorisation	269	1 344
Other intangible assets	3 402	3 495
Intangible assets under development	4 471	7 490
Total	18 511	15 991

The impairment testing of intangible assets not yet available for use have been performed by using market based approach and there was no indicators of impairment.

2014 Changes in intangible assets (1 000 euros)	Intangible rights	Authorisation	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	8 728	2 150	15 277	7 490	33 645
Increases	1 883		1 389	3 804	7 076
Decreases			-400	-22	-422
Transfers between items	6 800			-6 800	0
Acquisition cost 31 December	17 411	2 150	16 266	4 471	40 298
Accumulated depreciation and impairments 1 January	-5 065	-806	-11 782	0	-17 653
Depreciation for the financial year	-1 976	-1 075	-1 281		-4 332
Decreases			306		306
Other changes			-108		-108
Accumulated depreciation and impairments 31 December	-7 041	-1 881	-12 865	0	-21 788
Carrying amount 31 December	10 369	269	3 402	4 471	18 511

2013 Changes in intangible assets (1 000 euros)	Intangible rights	Authorisation	Other intangible assets	Intangible assets under development	Total
Acquisition cost 1 January	6 683	0	6 604	5 056	18 343
Business acquisitions		2 150		246	2 396
Increases	1 194		9 425	3 169	13 788
Decreases			-751	-130	-882
Transfers between items	851		0	-851	0
Acquisition cost 31 December	8 728	2 150	15 277	7 490	33 645
Accumulated depreciation and impairments 1 January	-3 177		-11 224	0	-14 401
Depreciation for the financial year	-1 631	-806	-1 154		-3 591
Decreases	-96		595		500
Other changes	-161				-161
Accumulated depreciation and impairments 31 December	-5 065	-806	-11 782	0	-17 653
Carrying amount 31 December	3 663	1 344	3 495	7 490	15 991

Note 48.27 Other assets

(1 000 euros)	2014	2013
Payment transfer receivables	126	84
Accrued income and prepaid expenses		
Interest	33 073	31 921
Other accrued income and prepaid expenses	10 265	3 571
Other	3 655	10 511
Total	47 119	46 088

Note 48.28 Financial liabilities at fair value through profit or loss

(1 000 euros)	2014	2013
Other financial liabilities at fair value through profit or loss*	111 475	88 134
Total	111 475	88 134

* The item includes the other owners' interests in the consolidated mutual funds of which more information in presented in Note 48.41 Entities included in consolidated financial statements.

Note 48.29 Liabilities to credit institutions and customers

(1 000 euros)	2014	2013
Liabilities to credit institutions		
Liabilities to central banks	90 000	
Liabilities to credit institutions	358 360	297 579
Total	448 360	297 579
Liabilities to customers		
Deposits	5 723 180	5 547 310
Other financial liabilities	7 928	10 333
Change in the fair value of deposits	76 683	51 864
Total	5 807 791	5 609 508
Total liabilities to credit institutions and customers	**6 256 150**	**5 907 087**

Note 48.30 Debt securities issued

(1 000 euros)	2014	2013
Bonds	279 162	182 342
Other		
Certificates of deposit	167 320	100 509
Other	1	
Total	446 484	282 851

Note 48.31 Life insurance liabilities

(1 000 euros)	2014	2013
Other than unit-linked contract liabilities		
Guaranteed-interest insurance contracts	140 118	142 237
Unit-linked contract liabilities		
Liabilities for unit-linked insurance contracts	242 130	163 494
Liabilities for unit-linked investment contracts	18 464	6 048
Reserve arising from liability adequacy test	0	0
Other liabilities		
Accrued expenses and deferred income	3 479	2 091
Other	450	282
Total life insurance liabilities	404 642	314 153

Liabilities for insurance policies	Liability (1 000 euros) 2014	Number of contracts 2014	Liability (1 000 euros) 2013	Number of contracts 2013	Duration 2014
Other than unit-linked contracts					
Guaranteed-interest insurance contracts					
Savings insurance					
Rate of guaranteed interest 3.5 %	2 558	22	2 605	29	5,7
Rate of guaranteed interest 2.5 %	16 306	288	17 699	411	5,3
Rate of guaranteed interest 0.0 %	103 468	4 180	109 699	4 391	6,0
Individual pension insurance					
Rate of guaranteed interest 3.5 %	1 781	54	1 731	56	7,8
Rate of guaranteed interest 2.5 %	5 778	428	5 483	443	10,1
Rate of guaranteed interest 0.0 %	8 451	1 494	2 744	1536	19,8
Group pension insurance (defined contribution, rate of guaranteed interest 0.0 %)	856	92	608	91	8,0
Capital redemption contracts (rate of guaranteed interest 0.0 %)	460	4	1 235	4	2,0
Term insurance	460	30 552	431	29 020	7,4
Unit-linked contracts					
Unit-linked insurance contracts					
Savings insurance	178 649	8 369	110 521	6 195	7,4
Individual pension insurance	57 863	10 400	50 069	10452	21,4
Group pension insurance	2 052	74	1 275	73	11,5
Capitalization agreement	3 566	25	1 633	13	7,6
Unit-linked investment contracts	18 464	107	6 048	36	9,0

Reserve arising from liability adequacy test					
Total	400 712	56 089	311 780	52 750	9,2

Liabilities related to insurance policies are measured in compliance with the Finnish Accounting Standards, with the exception that the equalisation provision included in the Finnish Accounting Standards is not included in the insurance contract liability. The measurement principles are described in more detail in the accounting policies of the official financial statements (Note 2).

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

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

Changes in insurance contract liabilities during the financial year are presented in Note 48.9 Net life insurance income.

Note 48.32 Subordinated liabilities

(1 000 euros)	Average interest rate %	2014	Average interest rate %	2013
Subordinated loans	4.00 %	297	4.00 %	213
Other				
Debentures	2.22 %	168 834	2.24 %	192 824
Total subordinated liabilities		169 131		193 037

More information on debenture loans is presented in Pilar III Note 48.49

Note 48.33 Provisions and other liabilities

(1 000 euros)	2014	2013
Other liabilities	56 722	45 094
Accrued expenses	32 299	33 249
Provisions	2 090	1 627
Total	91 111	79 969
Changes in provisions		
1 January	1 627	1 187
Increase in defined benefit plans		16
Increase in defined contribution plans	-12	
Decrease in defined contribution plans	475	424
31 December	2 090	1 627

More information of the defined benefit plans is presented in Note 48.39 Pension liabilities.

Note 48.34 Capital and reserves

(1 000 euros)	2014	2013
Basic/share capital	10 343	10 343
Reserves		
Primary capital	34 475	27 750
Reserve for invested non-restricted equity	13 003	12 610
Reserve fund	68 381	68 157
Fair value reserve	35 540	25 945
Reserve for hedging instruments	4 568	3 427
Other reserves	136 158	133 575
Retained earnings		
Profit (loss) for previous financial years	466 239	406 435
Profit (loss) for the period	45 391	64 449
Total equity attributable to equity holders of the Group	814 099	752 690
Non-controlling interests	27 132	28 396
Total capital and reserves	841 230	781 086

Basic/share capital

This item includes the paid share capital, cooperative capital and basic capital. If share capital is wholly or partly not entered in trade register, the unregistered amount must be presented in the balance sheet separately as a sub-item of this item.

The share capital of the Savings Banks Group consists of the Savings Banks' basic capital, which is not paid back according to the Savings Bank Act § 11.

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

Primary capital

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

Share premium

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

Reserve for invested non-restricted equity

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

Reserve fund

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

Reserve mandated by the Group's Articles of Association

Reserve mandated by the Group's Articles of Association includes items which are to be presented in the reserve mandated by the Group's Articles of Association or other rules.

Fair value reserve

Fair value reserve includes items arising from fair value measurements.

Reserve for hedging instruments

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

Other reserves

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

Retained earnings

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

Specification of changes in fair value reserve (1 000 euros)	2014	2013
Fair value reserve 1 January	25 945	30 068
Profit/loss from fair value measurements, shares and participations	25 595	15 668
Profit/loss from fair value measurements, securities	15 236	320
Deferred tax from fair value measurements	-2 454	1 736
Share of the changes in fair value reserve of associates	0	-3 695
Non-controlling interest's share of the changes in fair value reserve	-207	-65
Reclassified to income statement	-28 575	-18 086
Fair value reserve 31 December	35 540	25 945

Specification of changes in the reserve for hedging instruments (1 000 euros)	2014	2013
Reserve for hedging instruments 1 January	3 427	7 829
Profit/loss from fair value measurements, derivatives hedging cash flow	1 539	-5 100
Share of the changes in reserve for hedging instruments of associates	-68	0
Deferred tax from fair value measurements	-302	617
Reclassified to income statement	-28	81
Reserve for hedging instruments 31 Decembers	4 568	3 427

Note 48.35 Collateral given and received

(1 000 euros)	2014	2013
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Pledges	63 428	52 521
Other	35 876	20 607
Other collateral given		
Pledges	14	14
Total colateral given	99 317	73 142
Collateral received		
Real estate collateral	5 386 150	5 022 767
Securities	74 180	39 399
Other	67 790	71 260
Guarantees received	69 188	75 678
Total collateral received	**5 597 309**	5 209 104

Note 48.36 Off balance-sheet commitments

(1 000 euros)	2014	2013
Guarantees*	146 559	133 200
Loan commitments	193 467	210 520
Other	9 243	9 735
Total	349 269	353 455

* Savings banks belonging to Group have given Aktia Bank plc a guarantee as for their own debt on behalf of the savings banks which have made with Aktia Bank plc transaction account agreements on equal terms. Guarantee covers receivables that Aktia Bank plc may have due to the breach of the terms and conditions of the transaction account agreement. The cooperation with Aktia Bank plc related to the transaction accounts has ended in November 2014 when the transaction accounts of savings banks were transferred to Central Bank of Savings Banks Finland Ltd and after the transfer took place no liability can arise based on the guarantees. The agreements have also been terminated in February 2015.

As of 31 December 2014 the amount of the guarantee was EUR 73.804 thousand (EUR 67.289 thousand).

Note 48.37 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.

2014				Amounts which are not offset but are subject to enforcable master			
(1 000 euros)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				87 793	23 188	23 541	134 522
Total				87 793	23 188	23 541	134 522
Liabilities							
Derivative contracts				4 227		608	4 835
Repurchase agreements				12 852			12 852
Total				17 078	0	608	17 686

2013				Amounts which are not offset but are subject to enforcable master			
(1 000 euros)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				60 933	19 251	13 282	93 466
Total				60 933	19 251	13 282	93 466
Liabilities							
Derivative contracts				3 763		250	4 013
Repurchase agreements				61 205			61 205
Total				64 969	0	250	65 219

Note 48.38 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 (Note 2).

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

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

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

Fair value hierarchy

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

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

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

Transfers between levels

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

Financial assets (1 000 euros)	Carrying amount	Fair value			
2014		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	20 553	3 626		16 927	20 553
Life Insurance* and Asset Management	299 435	284 121		15 314	299 435
Other operations**	111 475	111 475			111 475
Derivatives					
Banking	88 705		84 157	4 549	88 705
Life Insurance and Asset Management	30	30			30
Available- for- sale financial assets					
Banking	1 115 868	1 001 337	13 609	100 922	1 115 868
Life Insurance and Asset Management	137 134	120 190	9 987	6 957	137 134
Other operations	382	382			382
Measured at amortised cost					
Investments held-to-maturity					
Banking	29 876	29 079	3 120	1 007	33 205
Loans and other receivables					
Banking	5 850 361		7 194 529		7 194 529
Total financial assets	7 653 820	1 550 240	7 305 294	145 675	9 001 318
Investment property					
Banking	41 707			67 487	67 487
Life Insurance and Asset Management	367			367	367
Total	**42 074**	**0**	**0**	**67 854**	**67 854**

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

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

Financial liabilities (1 000 euros)	Carrying amount	Fair value			
2014		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Life Insurance* and Asset Management	260 594	260 594			260 594
Other operations **	111 475	111 475			111 475
Derivative contracts					
Banking	4 227		1 178	3 049	4 227
Measured at amortised cost					
Banking	6 871 765	140 947	6 266 034	495 282	6 902 263
Total financial liabilities	7 248 062	513 016	6 267 212	498 331	7 278 560

* Includes liabilities for unit-linked insurance and investments 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 liabilities at level 3

Financial assets measured through profit or loss (1 000 euros)	Banking	Life Insurance + Asset Management	Total
Carrying amount 1 January 2014	12 885	15 441	28 490
Purchases	14 935		14 772
Sales	-10 280	-1 000	-11 280
Matured during the year	-840		-840
Changes in value recognised in income statement, realised	226	-208	18
Changes in value recognised in income statement, unrealised		1 081	1 081
Carrying amount 31 December	16 927	15 314	32 241

Derivatives (net) (1 000 euros)	Banking	Life Insurance + Asset Management	Total
Carrying amount 1 January 2014	962	0	962
Changes in value recognised in income statement, realised	-638		-638
Changes in value recognised in income statement, unrealised	1 175		1 175
Carrying amount 31 December	1 500	0	1 500

Available-for-sale financial assets (1 000 euros)	Banking	Life Insurance + Asset Management	Total
Carrying amount 1 January 2014	135 446	25 093	160 539
Purchases	32 142	650	32 792
Sales	-26 582	-15 811	-42 394
Matured during the year	-23 397		-23 397
Changes in value recognised in income statement, realised	-813	883	69
Changes in value recognised in income statement, unrealised	1 070	143	1 213
Transfers to level 1 and 2	-16 944	-4 000	-20 944
Carrying amount 31 December	100 922	6 957	107 879

Sensitivity analysis of financial assets at level 3 (1 000 euros)	Effect of hypothetical changes' on profit		
2014	Carrying amount	Positive	Negative
At fair value through profit or loss			
Banking	16 927	874	-874
Life Insurance and Asset Management	15 314	753	-753
Derivative contracts			
Banking, assets	4 549		-4 549
Banking, liabilities	-3 049	3 049	
Available-for-sale financial assets			
Banking	100 922	3 946	-3 946
Life Insurance and Asset Management	6 957	1 044	-1 044
Total	141 620	9 666	-11 165

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..

Financial assets (1 000 euros)	Carrying amount	Fair value			
2013		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Banking	16 986	4 101		12 885	16 986
Life Insurance* and Asset Management	217 960	202 519		15 441	217 960
Other operations**	88 134	88 134			88 134
Derivatives					
Banking	61 056		58 471	2 585	61 056
Life Insurance* and Asset Management	145	145			145
Available-for-sale financial assets					
Banking	1 075 500	873 733	66 320	135 446	1 075 500
Life Insurance* and Asset Management	120 776	95 683		25 093	120 776
Other operations**	23 960	23 960			23 960

Measured at amortised cost					
Investments held-to-maturity					
Banking	41 839	31 634	10 785	1 955	44 375
Loans and other receivables					
Banking	5 815 098		7 140 137		7 140 137
Total financial assets	7 461 453	1 319 909	7 275 714	193 405	8 789 029
Investment property					
Banking	40 656			58 826	58 826
Life Insurance and Asset Management	367			367	367
Total	41 023	0	0	59 193	59 193

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

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

Financial liabilities (1 000 euros)	Carrying amount	Fair value			
2013		Level 1	Level 2	Level 3	Total
Measured at fair value					
At fair value through profit or loss					
Life Insurance* and Asset Management	169 542	169 542			169 542
Other operations **	88 134	88 134			88 134
Derivative contracts					
Banking	3 763		2 141	1 623	3 763
Measured at amortised cost					
Banking	6 871 765	39 800	6 405 940	456 298	6 902 037
Total financial liabilities	7 133 205	297 477	6 408 080	457 920	7 163 477

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

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

Changes at level 3

Reconciliation of changes in financial liabilities at level 3

Financial assets measured through profit or loss (1 000 euros)	Banking	Life Insurance + Asset Management ***	Total
Carrying amount 1 January 2013	15 326	0	15 326
Purchases	5 965	16 441	22 406
Sales	-7 941	-1 000	-8 941
Matured during the year	-1 376		-1 376
Changes in value recognised in income statement, realised	911		911
Carrying amount 31 December	12 885	15 441	28 326

Derivatives (net) (1 000 euros)	Banking	Life Insurance + Asset Management ***	Total
Carrying amount 1 January 2013	640	0	640
Changes in value recognised in income statement, realised	-638		-638
Changes in value recognised in income statement, unrealised	960		960
Carrying amount 31 December	962	0	962

Available-for-sale financial assets (1 000 euros)	Banking	Life Insurance + Asset Management ***	Total
Carrying amount 1 January 2013	168 144	0	168 144
Purchases	81 897	34 291	116 188
Sales	-54 094	-10 800	-64 894
Matured during the year	-60 140	-500	-60 640
Changes in value recognised in income statement, realised	-190	1 126	936
Changes in value recognised in income statement, unrealised	-172	975	803
Carrying amount 31 December	135 446	25 093	160 539

*** During 2013 Savings Banks Group acquired control in Sp Life insurance Ltd .

Note 48.39 Pension liabilities

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

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

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

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

The plan assets include 100% qualifying insurance policies.

(1 000 euros)	2014	2013
Current service cost	868	896
Net interest	33	22
Costs recognised in income statement	901	918
Remeasurements	364	109
Comprehensive income before tax	1 265	1 027
Present value of obligation 1 January	9 392	8 467
Current service cost	868	896
Interest expense	280	252
Actuarial gains (-) / losses (+) arising from experiential adjustments	0	0
Actuarial gains (-) / losses (+) arising from changes in economic expectations	2 145	0
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-148	-98
Benefits paid	-127	-125
Present value of obligation 31 December	12 410	9 392
Fair value of plan assets 1 January	7 928	7 426
Interest expense	247	230
Return on plan assets excl. items in interest expense/income	1 633	-206
Benefits paid	-127	-125
Contributions	790	603
Fair value of plan assets 31 December	10 470	7 928
Present value of obligation	12 410	9 392
Fair value of plan assets	10 470	7 928
Liability in balance sheet 31 December	1 940	1 465
Liability in balance sheet 1 January	1 465	1 041
Costs in income statement	901	918
Contributions	-790	-603
Remeasurements in comprehensive income statement	364	109
Liability in balance sheet 31 December	1 940	1 465
Actuarial assumptions		
Discount rate, %	1.79 %	3.00 %
Pay development, %	3.00 %	3.00 %
Pension increase, %	0.0 - 2.1%	0.0 - 2.1%
Sensitivity analysis - net liability		
Effect of changed in assumptions on net liability in euros and % can be seen in the table below		
Change in discount rate +0,50%	-208	-95
Change in discount rate -0,50%	238	108
Change in pay development +0,50%	210	134
Change in pay development -0,50%	-202	-129
Change in pensions +0,50%	516	387
Change in pensions -0,50%	-464	-350

Duration based on the weighted average is 17 years.

The Savings Banks Group expects to contribute approximately EUR 790 thousand to defined benefit plans in 2015.

Note 48.40 Operating leases

Savings Banks Group as lessee

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

(1 000 euros)	2014	2013
Future minimum lease payments under non-cancellable operating leases payable		
Less than one year	1 625	2 662
Between one and five years	4 964	6 332
More than five years	171	256
Total	6 760	9 249

Savings Banks Group as lessor

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

(1 000 euros)	2014	2013
Future minimum lease payments under non-cancellable operating leases receivable		
Less than one year	3 196	3 270
Between one and five years	2 273	2 836
More than five years	422	466
Total	5 891	6 572

Note 48.41 Entities consolidated in Group's financial statements

Group structure

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

Company	Domicile		
Computational parent company:			
Säästöpankki Sinetti	Orivesi		
Huittisten Säästöpankki	Huittinen		
Aito Säästöpankki Oy	Tampere		
Kalannin Säästöpankki	Uusikaupunki		
Avain Säästöpankki	Kortesjärvi		
Lammin Säästöpankki	Hyvinkää		
Liedon Säästöpankki	Lieto		
Länsi-Uudenmaan Säästöpankki	Lohja		
Mietoisten Säästöpankki	Masku		
Myrskylän Säästöpankki	Myrskylä		
Säästöpankki Optia	Iisalmi		
Helmi Säästöpankki Oy	Lahti		
Pyhärannan Säästöpankki	Pyhärant		
Someron Säästöpankki	Somero		
Suomenniemen Säästöpankki	Suomenniemi		
Sysmän Säästöpankki	Sysmä		
Ylihärmän Säästöpankki	Ylihärmä		
Eurajoen Säästöpankki	Eurajoki		
Ekenäs Sparbank	Tammisaari		
Kiikoisten Säästöpankki	Sastamala		
Kristinestads Sparbank	Lapväärtti		
Kvevlax Sparbank	Koivulahti		
Närpes Sparbank	Närpiö		
Yttermark Sparbank	Yttermark		
		Ownership	
Subsidiaries:		**2014**	**2013**
Nooa Säästöpankki	Helsinki	78.10 %	73.05 %
Säästöpankkien Keskuspankki Suomi Oy	Espoo	94.73 %	80.16 %
Sp-Rahastoyhtiö Oy	Helsinki	80.03 %	78.63 %
Säästöpankkiliitto osk	Espoo	100.00 %	100.00 %
Sp-Julkaisut Oy	Espoo	dissolved in 2014	100.00 %
Sp-Back Office Oy	Eurajoki	100.00 %	100.00 %
Sp-Taustataiturit Oy	Somero	100.00 %	100.00 %
Säästöpankkien Vakuusrahasto	Helsinki	80.90 %	80.22 %
Sp-Henkivakuutus Oy	Espoo	81.22 %	79.33 %
Sp-Koti Oy	Espoo	100.00 %	81.53 %
Säästöpankkien Holding Oy	Helsinki	80.10 %	78.98 %
Consolidated mutual funds:			
Säästöpankki Kassa	Helsinki	52.06 %	76.51 %
Säästöpankki Yrityslaina	Helsinki	43.81 %	46.44 %
Säästöpankki High Yield	Helsinki	74.36 %	64.51 %
Säästöpankki Lyhytkorko	Helsinki	39.88 %	61.47 %
Most significant real estate companies:			
Fast Ab Bankborg	Koivulahti	100 %	100 %
Fast Ab Kvevlax Affärshus	Koivulahti	65.90 %	65.90 %
Koy Säästö-Erkko	Orimattila	64.58 %	64.58 %
Kiinteistö Oy Toritammi-Torgeken Fastighets Ab	Kaskinen	56.00 %	56.00 %
Kiinteistö Oy Eräjärven Pankkitalo	Eräjärvi	100 %	100 %
Kiinteistö Oy Ylöjärven Mikkolantie 11	Eräjärvi	sold 2014	100 %
Kiinteistö Oy Oriveden Läsimäki	Orivesi	94.22 %	94.22 %

Changes in holdings in subsidiaries

The Savings Banks Group acquired 39,66% of the share capital of Life Insurance Company Duo (current Sb Life Insurance Ltd) and thus obtained control over the company on 31 March 2013. Previously, the Savings Banks Group owned 39,67% of Duo's share capital and treated the company as a joint venture until obtaining control.

The Savings Banks Group acquired 80,16% of the share capital of the deposit bank Itella Bank Ltd (current Central Bank of Savings Banks Finland Ltd) and thus obtained control over the company on 30 April 2013.

Above acquisitions are described in more detail in Note 48.45 "Business Combinations".

Significant restrictions

Significant restrictions are associated with the Savings Banks' Guarantee Fund, concerning the Group's ability to access the assets of the Guarantee Fund and to use them, for example, to settle its liabilities. The carrying amount of the assets of the Savings Banks' Guarantee Fund is EUR 24.527 thousand (2013: EUR 23 768 thousand), and the vast majority of these funds are included under the item "Other assets" in the Group's consolidated financial statements (2013: Investment assets). The equity funds of the Guarantee Fund, in turn, are consolidated under the item "Other reserves" in the Group's financial statements. The retained earnings of the Guarantee Fund are consolidated in Group earnings.

Savings Banks have been members of the Savings Banks Guarantee Fund. The Guarantee Fund's mission has been to safeguard the operating stability of its members. Within the Amalgamation the members no longer need a separate guarantee fund, since the Amalgamation's central institution is able to provide the member banks with the equivalent support. Consequently, the Guarantee Fund's delegation decided on 16 October 2014 that the fund would be dissolved and the monetary assets would be returned to the member banks. The total amount of the funds to be returned to the Guarantee Fund's member banks is approximately EUR 24.4 million, of which approximately EUR 20.0 million belongs to the members of the Amalgamation.

In December 2014, the Savings Banks Guarantee Fund refunded EUR 16.8 million, of which the share of the member banks of the Amalgamation was EUR 13.8 million. The assets refunded by the Guarantee Fund are shown under the individual Savings Banks' profit and loss account item Other business income, resulting in an increase in the banks' profits. The refunded assets do not have any impact on the result of the Group in the IFRS financial statements.

The Guarantee Fund will wind up its operations in spring 2015 when the Fund delegation approves the final accounts for the dissolution.

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

Subsidiary	Domicile	Non-controlling ownership (%)		Profit or loss allocated to non-controlling interests (1 000 euros)		Equity allocated to non-controlling interests (1 000 euros)	
		2014	2013	2014	2013	2014	2013
Nooa Säästöpankki Oy	Helsinki	21.90	26.95	557	406	8 805	9 988
Central Bank of Savings Banks Finland Ltd	Espoo	5.27	19.84	-35	-302	2 442	2 214
Sp Life Insurance Ltd	Espoo	18.78	20.67	215	1 061	9 358	9 672

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

	Nooa Säästöpankki Oy		Central Bank of Savings Banks Finland Ltd		Sb Life Insurance Ltd	
(1 000 euros)	2014	2013	2014	2013*	2014	2013*
Loans and advances	496 404	475 015	655 511	10 026	3 769	0
Life insurance assets	0	0	0	0	435 887	349 637
Other assets	131 897	125 324	58 556	46 301	2 266	2 302
Liabilities	587 158	563 276	667 761	45 166	409 061	320 223
Total operating revenue	14 284	12 811	4 360	349	6 399	8 752
Total operating expenses	-10 900	-9 876	-4 256	-1 858	-5 278	-3 793
Profit/(loss)	2 939	1 509	80	-1 524	1 121	4 762
Group's share of profit/(loss)	2 382	1 102	114	-1 221	905	3 623

Profit/(loss) allocated to non-controlling interests	557	406	-35	-302	215	1 139
Total comprehensive income	4 079	1 464	145	-1 524	1 143	5 697
Group's share of comprehensive income	3 209	1 070	176	-1 221	882	4 365
Comprehensive income allocated to non-controlling interests	870	394	-31	-303	261	1 332
Dividends paid to non-controlling interests	0	0	0	0	0	0
Cash flows from operating activities	-4 745	17 554	456 413	12 937	7 554	7 424
Cash flows from investing activities	-312	-2 476	-1 351	14 048	-342	-7 341
Cash flows from financing activities	-1 797	1 489	35 000	0	0	0

In addition, the Savings Banks Group includes companies with non-controlling interest in ownership is 5.78-44.00%, non-controlling interest in profit or loss EUR 481 thousand (EUR 321 thousand) and non-controlling interest in equity EUR 6.148 thousand (EUR 6.444 thousand). None of these companies is considered to be individually material.

* The Savings Banks Group obtained control over Central Bank of Savings Banks Finland Ltd and Sb Life Insurance Ltd during 2013. The subsidiaries acquired during the financial year have been consolidated starting on the date when the Group acquired control. The acquisitions are described in more detail in Note 48.45 "Business Combinations".

Consolidated structured entities

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

The structured entities within the Group's sphere of influence are mutual funds managed by Sp-Fund Management Company, which is part of the amalgamation of Savings Banks. As Sp-Fund Management Company acts as the manager of the mutual funds, the Group is considered to have power over the mutual funds whereby it is able to affect the amount of returns received. The Group has determined the scope of consolidation to include the mutual funds where the ownership of the entities of the amalgamation exceeds 40% as a longer-term investment. The entities of the amalgamation must have owned more than 40% of the fund for more than half a year before the fund is consolidated. Four mutual funds were consolidated in the Group's financial statements on 31 December 2014 and 31 December 2013.

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

	2014		2013	
(1 000 euros)	Total assets	Total liabilities	Total assets	Total liabilities
Total mutual funds	206 726	111 475	220 793	88 134

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

Associates and joint ventures

Information about the Savings Banks Group's investments in associates and joint ventures is presented in Note 48.24 "Investments in associates and joint ventures".

Note 48.42 Involvement with unconsolidated structured entities

The table below presents financial information about the structured communities which are not consolidated in the Group's financial statements, as well as the Group's investment in these entities and the maximum exposure to loss. These entities are mutual funds managed by Sp-Fund Management Company, which is part of the amalgamation of Savings Banks. Four of the mutual funds of Sp Fund Management Company in which the Group has invested in are consolidated in the Group's financial statements, while 15 mutual funds are excluded from consolidation. The liabilities presented below represent the shareholders' liabilities to both entities within the group and other owners.

(1 000 euros) 2014	Total assets	Total liabilities*	Group investment	Maximum exposure to loss
Total mutual funds	972 510	972 510	76 956	76 956

(1 000 euros) 2013	Total assets	Total liabilities*	Group investment	Maximum exposure to loss
Total mutual funds	713 346	713 346	62 919	62 919

* Debt to investors

The Savings Banks Group's investments in these funds are consolidated under investment property in the statement of financial position, and the Group's returns on the mutual funds are included in net investment income. As an exception, Sb Life Insurance's investments in these funds are recognized in life insurance assets and the related income in net life insurance income under net investment income. All holdings in mutual funds are classified as available-for-sale.

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

Note 48.43 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, 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.

2014 (1 000 euros) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	4 681	920	131 791	137 393
Other receivables	113	6	388	388
Total assets	4 794	926	132 179	137 781
Liabilities				
Deposits	3 736	1 883	2 236	7 854
Other liabilities	280	145		425
Total liabilities	4 015	2 028	2 236	8 279
Off balance-sheet commitments				
Loan commitments	111	102	4 500	4 713
Guarantees	27			27
Total	138	102	4 500	4 740
Revenue and expense				
Interest income	63	16	2 892	2 971
Interest expense	-19	-5		-24
Insurance premiums	83	56		140
Dividend income				0
Fee and commission income	4	2	45	51
Fee and commission expense			-590	-590
Other expenses			-33 113	-33 113
Impairments				0
Total	131	70	-30 766	-30 566

* including key management personnel and their close family members

** including entities which the key management personnel or their close family members control or have shared control

(1 000 euros) Key management personnel compensation	2014	2013
Short-term employee benefits	2 051	1 947
Post-employment benefits	0	0
Other long-term benefits	0	4
Termination benefits	19	0
Total	2 070	1 951

2013 (1 000 euros) Transactions with related parties	Key management personnel*	Close companies**	Associates and joint arrangements	Total
Assets				
Loans	5 571	2 518	164 290	172 380
Other receivables	92	6	533	631
Total assets	5 663	2 524	164 824	173 011
Liabilities				
Deposits	3 948	2 091	1 653	7 692
Other liabilities	172	86		259
Total liabilities	4 120	2 177	1 653	7 951
Off balance-sheet commitments				
Loan commitments	511	119	4 500	5 130
Guarantees	27			27
Total	538	119	4 500	5 157
Revenue and expense				
Interest income	73	36	3 636	3 744
Interest expense	-23	-8		-30
Insurance premiums	19	16		35
Dividend income				
Fee and commission income	5	12	38	55
Fee and commission expense			-5	-5
Other expenses			-31 220	-31 220
Impairments				0
Total	74	56	-27 552	-27 422

* including key management personnel and their close family members

** including entities which the key management personnel or their close family members control or have shared control

Note 48.44 Subsequent events

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

Note 48.45 Business combinations

Business acquisitions during financial year 2014

The Savings Banks Group did not make business acquisitions in 2014.

Business acquisitions during financial year 2013

Subsidiary acquisition: Itella Bank Ltd

Savings Banks acquired the entire share capital of the deposit bank Itella Bank Ltd (current Central Bank of Savings Banks Finland Ltd) on 30 April 2013. After the acquisition, the Savings Banks Group's holding in the Central Bank of Savings Banks, which acts as the Group's central credit institution, was of 80.16%. Therefore, the Savings Banks Group controls the company. The acquisition was driven by the Savings Banks' need to secure the continuation of central credit institution services from 2015 onwards as Aktia Bank Plc had announced to quit rendering these services to Savings Banks in autumn 2012. In the financial year 2014, the Savings Banks Group's holding increased to 94.73% as a result of a directed share issue made by the Central Bank in May 2014.

The purchase price totaled EUR 14 123 thousand of which the Savings Banks Group accounted for 80.16%, i.e. EUR 11 321 thousand. The purchase price was paid in cash.

The Savings Banks Group recognised a total of EUR 62 thousand of acquisition-related costs concerning advisory services, valuation services etc. The fees are included in the consolidated income statement under "Other operating expenses".

The acquisition-date value of the acquired assets and liabilities was as follows:

(1 000 euros)	Note	Recognised values
Cash and cash equivalents	48.18	1 912
Loans and advances to credit institutions	48.20	3 188
Loans and advances to customers	48.20	20
Debt securities	48.22	14 875
Intangible assets	48.26	2 150
Other assets	48.27	37
Accrued income and prepaid expenses	48.27	218
Total assets		22 398
Liabilities to customers	48.29	5 336
Other liabilities	48.33	1 461
Accrued expenses and deferred income	48.33	949
Deferred tax liabilities	48.16	527
Total liabilities		8 273
Net assets		14 125

At the date of acquisition, the fair value of the acquired assets of EUR 22 398 thousand was EUR 2.15 million higher than the gross amount based on contracts.

The 8-month turnover of EUR 318 thousand and the result of EUR -1 597 thousand of Itella Bank Ltd are included in the Savings Banks Group's statement of comprehensive income for the year 2013.

Subsidiary acquisition: Life Insurance Company Duo

Savings Banks acquired Lähivakuutus entity's share of the share capital of the joint venture Life Insurance Company Duo (current Sb Life Insurance Ltd) on 31 March 2013. Sb Life Insurance offers its customers with services related to life insurance, savings insurance and pension insurance. Previously, the Savings Banks Group had owned 39.67% of the share capital of Sb Life Insurance. With the acquisition, the Savings Banks Group increased its holding by 39.66%, whereby its holding rose up to 79.33% and provided the Savings Banks Group with control over Sb Life Insurance. The acquisition was driven by business arrangements made by the business partner of that time. Due to these arrangements, the original shareholders' agreement could no longer be complied with.

The purchase price totaled EUR 15 000 thouasnd of which the Savings Banks Group accounted for 79.33%, i.e. EUR 11 900 thousand. The purchase price was paid in cash.

The Savings Banks Group recognised a total of EUR 9 thousand of acquisition-related costs concerning advisory services, valuation services etc. The fees are included in the consolidated income statement under "Other operating expenses".

The acquisition-date value of the acquired assets and liabilities was as follows:

(1 000 euros)	Note	Recognised values
Property, plant and equipment	48.25	307
Intangible assets	48.26	1 729
Investments	48.23	175 466
Investments covering for unit-linked policies	48.23	117 183
Accrued income and prepaid expenses	48.23	1 849
Other receivables	48.23	82
Cash and cash equivalents	48.23	2 895
Deferred tax assets	48.16	1 289
Other assets	48.23	7 723
Total assets		308 522
Liabilities for insurance policies	48.31	261 975
Accrued expenses and deferred income	48.31	1 224
Deferred tax liabilities	48.16	4 361
Other liabilities	48.31	250
Total liabilities		267 809
Net assets		40 713

At the date of acquisition, the fair value of the acquired assets of EUR 308 522 thousand was EUR 16 651 thousand higher than the gross amount based on contracts.

The difference between the purchase price and interest in equity i.e. the so called negative goodwill of EUR 8 498 thousand was recognized in the income statement as a bargain purchase. The bargain purchase was mainly driven by fair value valuation of the investment portfolio of Sb Life Insurance at the acquisition date.

The 9-month turnover (including premiums written before reinsurers' share, net investment income and other revenue) of EUR 80 492 thousand and result of EUR 3 421 thousand of Sb Life Insurance are included in the Savings Banks Group's statement of comprehensive income for the year 2013.

The Savings Banks Group's operating revenue would have totaled EUR 246 494 thousand and profit EUR 65 552 thousand in 2013 if the business acquired during the year had been included in the consolidated financial statements from the beginning of the financial year 2013.

Note 48.46 First-time Adoption of IFRS

Since the Savings Banks Group is a completely new legal entity, the Group has not previously prepared consolidated financial statements according to FAS (Finnish Accounting Standards). These consolidated IFRS financial statements are prepared by combining the separate FAS financial statements of the companies which comprise the Savings Banks Group and by making the necessary consolidation eliminations and IFRS adjustments. The banks within the Group have applied IAS 39 Financial Instruments: Recognition and Measurement in their FAS financial statements.

The formation and structure of the Group is described in more detail in Note 1.

Consolidated statement of financial position 1 January 2013 and 31 December 2013

(1 000 euros)	Note	IFRS 1 January 2013	IFRS 31 December 2013
ASSETS			
Cash and cash equivalents		20 847	47 823
Financial assets at fair value through profit or loss	g)	75 354	105 120
Loans and advances to credit institutions	c)	419 323	513 681
Loans and advances to customers	g)	4 983 913	5 301 417
Derivatives		83 112	61 056
Investment assets	e), g)	983 707	1 181 955
Life insurance assets	f)	0	343 041
Tax assets	c)	5 452	4 497
Other assets		52 380	46 088
Intangible assets	b)	10 210	15 991
Property and equipment	a)	53 447	54 519
Investments in associates	g)	57 261	42 202
Total assets		6 745 005	7 717 389
LIABILITIES AND EQUITY			
Liabilities at fair value through profit or loss	g)	58 255	88 134
Liabilities to credit institutions		201 800	297 579
Liabilities to customers		5 400 688	5 609 508
Derivatives		2 025	3 763
Debt securities issued		52 214	282 851
Life insurance liabilities	f)	0	314 153
Subordinated liabilities	g)	148 444	193 037
Tax liabilities	c)	72 504	67 307
Provisions and other liabilities	d)	100 628	79 969
Total liabilities		6 036 559	6 936 303
Basic/share capital		10 343	10 343
Retained earnings		411 261	470 883
Reserves		271 042	271 464
Total equity attributable to equity holders of the Group		692 647	752 690
Non-controlling interests		15 800	28 396
Total equity	h)	708 446	781 086
Total equity and liabilities		6 745 005	7 717 389

Consolidated income statement 1 January - 31 December 2013

(1 000 euros)	Note	IFRS 1 January -31 December 2013
Net interest income		110 612
Net fee and commission income	g)	58 806
Net trading income		2 097
Net investment income	g)	23 444
Net life insurance income	f)	11 803
Other operating revenue	g)	18 079
Total operating revenue		224 841
Personnel expenses	d)	-65 252
Other operating expenses	b), g)	-75 366
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	b), g)	-8 732
Total operating expenses		-149 351
Net impairment loss on financial assets		-5 905
Share of profits or losses of associates	g)	1 489
Profit before tax		71 074
Income tax expense	c)	-5 062
Profit		66 013
Consolidated statement of profit or loss and other comprehensive income		
Profit		66 013
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit obligation		-87
Items that are or may be reclassified to profit or loss:		
Available-for-sale financial assets		-343
Cash flow hedging		-4 402
Share of other comprehensive income of associates		-3 695
Total comprehensive income		57 486
Profit attributable to:		
Equity holders of the Group		64 449
Non-controlling interests		1 564
Total		66 013
Comprehensive income attributable to:		
Equity holders of the Group		55 857
Non-controlling interests		1 629
Total		57 486

Notes to additional financial information in respect of the opening statement of financial position at 1 January 2013, the statement of financial position for the reference year at 31 December 2013 and the statement of profit or loss and other comprehensive income from 1 January to 31 December 2013.

The financial statements were prepared in accordance with the accounting policies presented in Note 2 "Accounting policies" in the official IFRS financial statements. As an exception to this, the Savings Banks Group has applied the exemption for first-time adopters in IFRS 1 First-time Adoption of International Financial Reporting Standards not to apply IFRS 3 Business Combinations retrospectively to prior business combinations that occurred before 1 January 2013.

The most significant adjustments relating to the application of IFRS are described below.

a) Property, plant and equipment

In accordance with IAS 16 Property, Plant and Equipment, the Savings Banks Group recognised revaluation adjustments for buildings, land and water and investment property in the opening balance at 1 January 2013, resulting in a decrease of EUR 3 714 thousand in the carrying amount of property, plant and equipment.

Consolidating joint operations in the Group's financial statements decreased the carrying value of property, plant and equipment by EUR 1 052 thousand in the financial statements of the Savings Banks Group at 31 December 2013.

b) Intangible assets

The development work made for the Savings Banks Group by Samlink, an associate of the Savings Banks Group, is considered as an intangible asset acquired separately. Due to these adjustments, the carrying amount of intangible assets after depreciation increased by EUR 7 165 thousand at 1 January 2013. Additions recognised in 2013 less depreciation further increased the carrying amount by EUR 2 660 thousand resulting in a total effect of EUR +9 825 thousand on the carrying amount of intangible assets at 31 December 2013. For the financial year 2013, other operating expenses decreased by EUR 3 634 thousand while depreciation, amortisation and impairment losses on intangible assets increased by EUR 1 220 thousand due to the adjustments.

The business combinations which occurred after 1 January 2013 and were treated in accordance with IFRS 3 Business Combinations increased the carrying amount of intangible assets by EUR 1 344 thousand at 31 December 2013.

c) Income taxes

Adoption of IFRS affected the deferred taxes of the Savings Banks Group as follows:

(1 000 euros) Deferred tax assets	1.1.2013	31.12.2013
Employee benefits	255	293
Business combinations	0	144
Approved unused tax losses	352	199
Consolidation of property as joint operations in Group's financial statements	739	817
Total increase in tax assets	1 346	1 453

(1 000 euros) Deferred tax liabilities	1.1.2013	31.12.2013
Transfer of credit loss provision to reserve fund	6 709	5 477
Intangible assets	1 756	1 965
Financial instruments	468	886
Reversal of voluntary provisions	47 193	42 080
Business combinations		3 919
Consolidation of property as joint operations in Group's financial statements	3 312	2 796
Total increase in tax liabilities	59 438	57 123

Adoption of IFRS affected the income tax expense recognised in 2013 as follows:

(1 000 euros)	1.1. - 31.12.2013
Employee benefits	-16
Consolidation of mutual funds in Group's financial statements	-112
Intangible assets	149
Financial instruments	425
Approved unused tax losses	153
Consolidation of property as joint operations in Group's financial statements	-595
Reversal of voluntary provisions	-5 124
Business combinations	196
Total increase in income tax expense	-4 924

d) Employee benefits

The Savings Banks Group has defined benefit pension plans which are treated in accordance with IAS 19 Employee Benefits. Departing from the previous accounting policies of the Savings Banks Group, the present value of obligations arising from the arrangements at the date of financial statements less the fair value of plan assets is presented as a liability in IFRS financial statements. Due to this adjustment, the Savings Banks Group's other liabilities increased by EUR 1 041 thousand in the opening statement of financial position at 1 January 2013. During the year 2013, the obligations further increased by EUR 424 thousand resulting in a total effect of EUR +1 465 thousand on the carrying amount of other liabilities at 31 December 2013. Expenses from employee benefits increased by EUR 315 thousand recognised in the financial year 2013.

e) Investment assets

In accordance with IAS 16 Property, Plant and Equipment, the Savings Banks Group recognised revaluation adjustments in the opening statement of financial position at 1 January 2013. As a result, the carrying amount of investment assets decreased by EUR 1 014 thousand.

The fair value measurement of the financial assets of the Guarantee Fund and Savings Banks' Union Coop. made in accordance with IAS 39 Financial Instruments: Recognition and Measurement increased the carrying amount of investment assets by EUR 1 924 thousand in the opening statement of financial position at 1 January 2013. The corresponding impact at 31 December 2013 was EUR +1 134 thousand.

The impact of consolidating joint operations in the Group's financial statements on the carrying amount of investment assets totaled EUR -968 thousand at 31 December 2013.

The Savings Banks Group has applied IFRS 3 Business Combinations to business combinations occurring after 1 January 2013. As a result, the carrying amount of investment assets decreased by EUR 23 221 thousand at 31 December 2013.

Consolidation of four mutual funds managed by Sp-Fund Management Company in the Savings Banks Group's financial statements on the basis of control increased the carrying amount of investment assets by EUR 9 666 thousand 31 December 2013.

Consolidation of associated and joint ventures in the Group's financial statements decreased the carrying amount of investment assets by EUR 45 000 thousand in the opening statement of financial position at 1 January 2013.

f) Life insurance assets and liabilities

Classification and measurement of life insurance investment assets in accordance with IAS 39 Financial Instruments: Recognition and Measurement increased the carrying amount of life insurance assets by EUR 3 296 thousand at 31 December 2013. Concurrently, net life insurance income for the financial year 2013 increased by EUR 2 127 thousand.

The acquisition of Life Insurance Company Duo (current Sb Life Insurance), which was treated according to IFRS 3 Business Combinations, increased the carrying amount of life insurance assets by EUR 15 362 thousand at 31 December 2013 as a result of fair value measurement. The carrying amount of life insurance liabilities, in turn, decreased by EUR 2 393 thousand at 31 December 2013.

Consolidation of four mutual funds managed by Sp-Fund Management Company in the Savings Banks Group's financial statements on the basis of control decreased the carrying amount of life insurance assets by EUR 9 666 thousand at 31 December 2013. Reversal of voluntary provisions increased the carrying amount of life insurance liabilities and decreased net life insurance income by EUR 603 thousand in the financial year ended 31 December 2013.

g) Entities consolidated in Group's financial statements

The Savings Banks Group's investments in associates and joint ventures are consolidated in the IFRS financial statements in accordance with IAS 28 Investments in associates and joint ventures using the equity method. The resulting effect on the carrying amount of the item "Investments in associates and joint ventures" totaled EUR +41 724 thousand at 1 January 2013 and EUR +42 202 thousand at 31 December 2013. In the income statement, net investment income decreased by EUR 894 thousand while the share of profits or losses of associates increased by EUR 1 489 thousand in 2013.

The Savings Banks Group has applied IFRS 3 Business Combinations to business combinations occurring after 1 January 2013. As a result, the carrying amount of investments in associates and joint ventures decreased by EUR 14 203 thousand at 31 December 2013. Loans and advances to customers and subordinated liabilities, in turn, decreased by EUR 787 thousand at 31 December 2013. The effects on investment assets, life insurance assets and intangible assets are described above. The application of IFRS 3 increased other operating income by EUR 8 498 thousand in the financial year 2013. Other operating expenses, in turn, increased by EUR 287 thousand. Depreciation, amortisation and impairment of property, plant and equipment and intangible assets increased by EUR 806 thousand.

The mutual funds of Sp-Fund Management Company consolidated in the Savings Banks Group's IFRS financial statements increased the carrying amounts of assets and liabilities at fair value through profit or loss by EUR 58 255 thousand at 1 January 2013. The effect on the above items at 31 December 2013 was EUR +88 134 thousand Net fee and commission income decreased by EUR 645 thousand.

The impact of consolidating joint operations in the Group's financial statements on the carrying amount of investment assets totaled EUR -930 thousand at 31 December 2013. Concurrently, net investment income for the financial year 2013 decreased by EUR 968 thousand, whereas depreciation, amortisation and impairment of property, plant and equipment and intangible assets increased by EUR 1 013 thousand.

h) Equity

Adoption of IFRS affected the equity of the Savings Banks Group as follows:

(1 000 euros)	1 January 2013	31 December 2013
Transfer of credit loss provision to reserve fund	-6 709	-5 477
Revaluation adjustments, property, plant and equipment	-4 728	-4 841
Employee benefits	-786	-1 172
Intangible assets	5 410	7 860
Financial instruments	1 455	3 544
Approved unused tax losses	352	199
Reversal of voluntary provisions	145 432	168 778
Business combinations		-25 321
Consolidation of associates and joint operations in Group's financial statements	-3 276	-2 798
Consolidation of property as joint operations in Group's financial statements	-2 574	-3 960
Total change in equity	134 577	136 812

Note 48.47 Summary of Regulatory Capital, RWA and Capital ratios

Pillar III disclosure information

The Pillar III disclosure information regarding risk management objectives and policies of the Savings Bank Group are descriped in the Risk Management and Capital adequacy management note. Corporate governance disclosure information and remuneration are included to the Corporate Governance note. The Amalgamation's consolidated capital adequacy, own funds and capital requirement are presented according to the EU Regulation No 575/2013 in notes 37-47.

The Amalgamation comprises the Savings Banks Union Coop, which acts as the central institution of the Amalgamation, 25 Savings Banks, the Central Bank of Savings Banks Finland Ltd, 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 (1 000 euros)	2014	2013*
Common Equity Tier 1 (CET1) capital before regulatory adjustme	796 778	698 201
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-59 220	-53 157
Common Equity Tier 1 (CET1) capital	737 559	645 044
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)	737 559	645 044
Tier 2 (T2) capital before regulatory adjustments	43 403	195 804
Total regulatory adjustments to Tier 2 (T2) capital	33 388	-36 710
Tier 2 (T2) capital	76 791	159 094
Total capital (TC = T1 + T2)	814 349	804 138
Risk weighted assets	4 369 355	4 096 593
of which: credit and counterparty risk	3 811 274	3 691 292
of which: credit valuation adjustment (CVA)	123 140	0
of which: market risk	46 954	43 990
of which: operational risk	387 988	361 310
Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.88 %	15.75 %
Tier 1 (as a percentage of total risk exposure amount)	16.88 %	15.75 %
Total capital (as a percentage of total risk exposure amount)	18.64 %	19.63 %

*) The figures for the comparison period are presented in accordance with legistlation in force on 31 December 2013

Note 48.48 Transitional own funds disclosure template

(1 000 eur) EBA		(A) Amount at disclosure date	(B) Regulation (EU) No 575/2013 article reference	(C) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	44 670	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Ordinary shares	44 670	EBA list 26 (3)	
2	Retained earnings	452 435	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves)	244 306	26 (1)	
3a	Funds for general banking risk	0	0 26 (1) (f)	
4	Amount of qualifying items referred to in Article 483 (3) and the related share premium accounts subject to phase out from CET1	0	0 486 (2)	6 912
	Public sector capital injections grandfathered until 1 january 2018		483 (2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	53 792	26 (2)	
6	**Common Equity Tier 1 (CET1) capital bedore regulatory adjustments**	795 204		6 912
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjutments (negative amount)	-4 636	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-19 622	36 (1) (b), 37, 472 (4)	
10	Deferred tax assets that rely on on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amounts)		36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b) (c)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	

18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15 % threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		36 (1) (l)	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-33 388		
	Of which...filter for unrealised gain 1	-33 388	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36 (1) (j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-57 645		0
29	Common Equity Tier 1 (CET1) capital	737 559		6 912
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		51, 52	
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486 (3)	1 138
	Public sector capital injections grandfathered until 1 january 2018		486 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued bu subsidiaries and held by third parties		85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase out		486 (3)	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0		1 138
	Additional Tier 1 (AT1) capital: ragulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	

39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477 (3), 477 (4) (a)	
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0		0
44	Additional Tier 1 (AT1) capital	0		1 138
45	Tier 1 capital (T1 = CET1 + AT1)	737 559		8 050
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	26 881	62, 63	1 688
47	Amount of quolifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	16 522	486 (4)	
	Public sector capital injections grandfathered until 1 january 2018		483 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or issued by subsidiaries and held by third parties		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase out		486 (4)	
50	Credit risk adjustments		62 (c) & (d)	
51	Tier 2 (T2) capital before regulatory adjustments	43 403		1 688
	Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	

54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0		
54a	Of which new holdings not subject to transitional arrangements			
54b	Of which holdings existing befor 1 January 2013 and subject to transitional arrangements			
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	66 (d), 69, 79, 477 (4)	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	33 388	467, 468, 481	
57	Total regulatory adjustments to Tier 2 (T2) capital	33 388		0
58	Tier 2 (T2) capital	76 791		1 688
59	Total capital (TC = T1 + T2)	814 349		9 738
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)			
60	Total risk weighted assets	4 369 355		
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16,88	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	16,88	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure)	18,64	92 (2) (c)	
	Amounts below the threshold for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	39 585	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	65 782	36 (1) (i), 45, 48, 470, 472 (11)	

	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 - 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	0	484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase ous arrangements		484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements	16 522	484 (5), 486 (4) & (5)
85	Amount exscluded from T2 due to cap (excess over cap after redemptions and maturities)	-4 130	484 (5), 486 (4) & (5)

Note 48.49 Issued Tier 2 (T2) instruments recognised in regulatory capital

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

2014				Amount recognised in regulatory capital	Balance sheet value
Issuer	ISIN	Interest rate	Maturity	2014	2014
Aito Säästöpankki	FI4000102686	2,500	12.11.19	7 785	8 000
Aito Säästöpankki	FI4000013347	3,250	24.5.15	800	1 000
Aito Säästöpankki	FI4000024344	3,750	24.5.16	1 600	2 000
Avain Säästöpankki and Ylihärmän Säästöpankki	FI4000099320	2,550	15.10.19	3 831	4 000
Eurajoen Säästöpankki	FI4000092606	3,000	2.6.19	853	5 513
Eurajoen Säästöpankki	FI4000041470	1,090	2.4.15	136	1 714
Helmi Säästöpankki Oy	FI4000014352	3,500	2.7.15	176	220
Helmi Säästöpankki Oy	FI4000032982	0,586	21.11.16	640	800
Huittisten Säästöpankki	FI4000071543	2,850	18.11.18	1 116	5 000
Huittisten Säästöpankki	FI4000013206	0,833	24.5.15	285	357
Huittisten Säästöpankki	FI4000024112	0,883	23.5.16	989	1 237
Huittisten Säästöpankki	FI4000018825	0,836	22.11.15	705	881
Huittisten Säästöpankki	FI4000031547	0,586	21.11.16	989	1 237
Kalannin Säästöpankki	FI4000018221	0,842	28.9.15	320	400
Kalannin Säästöpankki	FI4000031059	0,584	5.10.16	640	800
Kalannin Säästöpankki	FI4000108584	2,500	24.11.19	2 939	3 000
Liedon Säästöpankki	FI4000013396	0,836	17.5.15	715	893
Liedon Säästöpankki	FI4000024146	0,736	18.5.16	1 381	1 726
Liedon Säästöpankki	FI4000096896	2,500	26.8.19	2 057	2 211
Liedon Säästöpankki	FI4000019112	0,584	17.11.15	936	1 170
Liedon Säästöpankki	FI4000031604	0,486	21.11.16	1 632	2 040
Myrskylän Säästöpankki	FI4000099353	3,000	26.9.19	1 568	1 655
Myrskylän Säästöpankki	FI4000029400	3,250	21.9.16	577	721
Nooa Säästöpankki Oy	FI0002002577	2,083	18.9.17	272	500
Nooa Säästöpankki Oy	FI4000090287	2,750	14.6.19	2 191	2 461
Nooa Säästöpankki Oy	FI4000108477	2,750	10.12.19	1 304	1 319
Nooa Säästöpankki Oy	FI4000108469	3,000	10.12.19	1 451	1 468
Someron Säästöpankki and Avain Säästöpankki	FI4000013446	3,250	18.5.15	1 120	1 400
Someron Säästöpankki, Avain Säästöpankki and Ylihärmän Säästöpankki	FI4000024377	3,500	16.5.16	2 880	3 600
Someron Säästöpankki	FI4000104823	2,500	14.11.19	1 513	1 553
Total				43 403	58 876

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

2013 Issuer	ISIN	Interest rate	Maturity	Amount recognised in regulatory capital 2013	Balance sheet value 2013
Aito , Avain, Somero, Ylihärmän Säästöpankki	FI4000042213	2,850	7.5.17	11 600	11 600
Aito Säästöpankki Oy	FI0002002783	3,000	25.5.14	1 000	1 000
Aito Säästöpankki Oy	FI4000013347	3,250	24.5.15	2 000	2 000
Aito Säästöpankki Oy	FI4000024344	3,750	24.5.16	3 000	3 000
Aito Säästöpankki Oy	FI4000052329	2,000	10.12.17	8 000	8 000
Avain, Somero Säästöpankki	FI4000013446	3,250	18.5.15	2 800	2 800
Avain, Somero, Ylihärmän Säästöpankki	FI0002002775	3,000	18.5.14	1 600	1 600
Avain, Somero, Ylihärmän Säästöpankki	FI4000024377	3,500	16.5.16	5 400	5 400
Avain, Ylihärmä Säästöpankki	FI4000062930	2,350	15.5.18	6 500	6 500
Eurajoen Säästöpankki	FI4000003181	0,797	31.8.14	330	330
Eurajoen Säästöpankki	FI4000016977	1,288	1.10.15	341	341
Helmi Säästöpankki Oy	FI4000014352	3,500	2.7.15	520	520
Helmi Säästöpankki Oy	FI4000032982	0,746	21.11.16	1 200	1 200
Helmi Säästöpankki Oy	FI4000052139	2,000	29.11.17	4 000	4 000
Huittisten Säästöpankki	FI4000006705	0,739	23.11.14	952	952
Huittisten Säästöpankki	FI4000013206	0,725	24.5.15	713	713
Huittisten Säästöpankki	FI4000018825	0,995	22.11.15	1 763	1 763
Huittisten Säästöpankki	FI4000024112	0,775	23.5.16	1 855	1 855
Huittisten Säästöpankki	FI4000031547	0,746	21.11.16	1 855	1 855
Huittisten Säästöpankki	FI4000043294	2,000	21.5.17	4 000	4 000
Huittisten Säästöpankki	FI4000049044	2,000	19.11.17	5 217	5 217
Huittisten Säästöpankki	FI4000062799	2,200	3.6.18	6 435	6 435
Huittisten Säästöpankki	FI4000071543	2,850	18.11.18	3 390	4 238
Kalannin Säästöpankki	FI4000005715	0,790	24.9.14	480	480
Kalannin Säästöpankki	FI4000018221	1,040	28.9.15	800	800
Kalannin Säästöpankki	FI4000031059	0,790	5.10.16	1 200	1 200
Kalannin Säästöpankki	FI4000048558	2,000	10.10.17	4 000	4 000
Kalannin Säästöpankki	FI4000068887	2,200	26.9.18	4 000	4 000
Lammin Säästöpankki	FI4000006259	2,643	21.10.14	360	360
Lammin Säästöpankki	FI4000064258	2,500	5.6.18	4 573	4 573
Liedon Säästöpankki	FI0002002809	0,723	25.5.14	1 432	1 432
Liedon Säästöpankki	FI4000006572	0,746	16.11.14	1 247	1 247
Liedon Säästöpankki	FI4000013396	0,741	17.5.15	1 787	1 787
Liedon Säästöpankki	FI4000019112	0,746	17.11.15	2 340	2 340
Liedon Säästöpankki	FI4000024146	0,636	18.5.16	2 590	2 590
Liedon Säästöpankki	FI4000031604	0,646	21.11.16	3 059	3 059
Liedon Säästöpankki	FI4000043302	0,979	21.5.17	2 066	2 066
Liedon Säästöpankki	FI4000049697	2,750	19.11.17	8 000	8 000
Liedon Säästöpankki	FI4000062773	2,500	20.5.18	10 000	10 000
Liedon Säästöpankki	FI4000072848	2,000	19.11.18	2 873	2 873

Myrskylän Säästöpankki	FI4000003850	0,787	21.9.14	602	602
Myrskylän Säästöpankki	FI4000029400	3,250	21.9.16	1 081	1 081
Myrskylän Säästöpankki	FI4000068457	2,500	20.9.18	2 000	2 000
Nooa Säästöpankki Oy	FI4000041397	3,000	17.4.17	4 267	4 267
Nooa Säästöpankki Oy	FI4000047105	2,733	31.8.17	5 627	5 627
Nooa Säästöpankki Oy	FI4000047170	2,750	18.9.17	4 512	4 512
Nooa Säästöpankki Oy	FI4000062526	2,500	16.4.18	2 294	2 294
Nooa Säästöpankki Oy	FI4000068747	2,500	18.9.18	2 810	2 810
Someron Säästöpankki	FI4000052626	2,500	2.1.18	3 000	3 000
Someron Säästöpankki	FI4000061080	2,300	2.4.18	11 289	11 289
Someron Säästöpankki	FI4000068861	2,200	1.10.18	4 418	4 418
Säästöpankki Sinetti	n/a	2,500	1.10.18	1 300	1 300
Säästöpankki Sinetti	n/a	2,038	30.9.14	160	160
Total				168 639	169 486

Commission implementing regulation (EU) No 1423/2013		AITD025019	AITD032515	AITD037516	AVAD0255019	EURDVAIH19	EURDVAIHA5	HSPD035015	HSPDVAIH16
1	Issuer	Aito Säästöpankki	Aito Säästöpankki	Aito Säästöpankki	Avain Säästöpankki and Ylihärmän Säästöpankki	Eurajoen Säästöpankki	Eurajoen Säästöpankki	Helmi Säästöpankki Oy	Helmi Säästöpankki Oy
2	Unique identifier (ISIN)	FI4000102686	FI4000013347	FI4000024344	FI4000099320	FI4000092606	FI4000041470	FI4000014352	FI4000032982
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]
5	Post-transitional CRR rules	[N/A]	[T2]	[T2]	[N/A]	[N/A]	[T2]	[T2]	[T2]
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63
8	Amount recognised in regulatory capital	7 785	800	1 600	3 831	853	136	176	640
9	Nominal amount of instrument	8 000	1 000	2 000	4 000	5 513	1 714	200	800
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability amortised cost	Liability amortised cost	Liability amortised cost	Liability amortised cost	Liability amortised cost	Liability amortised cost	Liability amortised cost	Liability amortised cost
11	Original date of issuance	12.8.14	24.5.10	24.5.11	23.6.14	2.6.14	2.4.12	2.7.10	21.11.11
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	12.11.19	24.5.15	24.5.16	15.10.19	2.6.19	2.4.15	2.7.15	21.11.16
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Floating	Fixed to floating	Fixed	Fixed to floating
18	Coupon rate and any related index	2.5 %	3.25 %	3.75 %	2.55 %	Floating Euribor 12-month + 2.0 % (minimum rate 3.0 %)	Fixed 2.50 % (first year), thereafter Euribor 12-month + 0,5 %	3,5 %	Fixed 3.0 % (first year), thereafter 12- month + 0.25 %
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital	Ranks before share capital and primary capital
36	Non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
37	If yes, specify non-compliant features	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital	The capital is not fully available for regulatory capital

Commission implementing regulation (EU) No 1423/2013		HUID028518	HUIDVAIH15	HUIDVAIH16	HUIDVAIHA5	HUIDVAIHA6	KALDVAIH15	KALDVAIH16	KALDVAIH19
1	Issuer	Huittisten Säästöpankki	Huittisten Säästöpankki	Huittisten Säästöpankki	Huittisten Säästöpankki	Huittisten Säästöpankki	Kalannin Säästöpankki	Kalannin Säästöpankki	Kalannin Säästöpankki
2	Unique identifier (ISIN)	FI4000071543	FI4000013206	FI4000024112	FI4000018825	FI4000031547	FI4000018221	FI4000031059	FI4000108584
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]
5	Post-transitional CRR rules	[N/A]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[N/A]
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)
8	Amount recognised in regulatory capital	1 116	285	989	705	989	320	640	2 939
9	Nominal amount of instrument	5 000	357	1 237	881	1 237	400	800	3 000
9a	Issue price	100	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	18.11.13	24.5.10	23.5.11	22.11.10	21.11.11	28.9.10	5.10.11	24.9.14
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	18.11.18	24.5.15	23.5.16	22.11.15	21.11.16	28.9.15	5.10.16	24.11.19
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
18	Coupon rate and any related index	2.85 %	Fixed 2.50 % (first year), thereafter floating Euribor 12-month + 0.25 %	Fixed 3.30 % (first year), thereafter floating Euribor 12-month + 0.3 %	Fixed 2.85 % (first year), thereafter floating Euribor 12-month+ 0.5%	Fixed 3.0% (first year), thereafter floating Euribor 12-month + 0.25%	Fixed 2.5% (first year), thereafter floating Euribor 12-month + 0.5%	Fixed 3.0% (first year), thereafter floating Euribor 12-month+ 0.25%	Fixed 2.5% (first year), thereafter floating Euribor 12-month + 0.5% (minimum rate 2.5 %)
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Commission implementing regulation (EU) No 1423/2013		LIEDVAIH15	LIEDVAIH16	LIEDVAIH19	LIEDVAIHA5	LIEDVAIHA6	MYRD030019	MYRD032516
1	Issuer	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Liedon Säästöpankki	Myrskylän Säästöpankki	Myrskylän Säästöpankki
2	Unique identifier (ISIN)	FI4000013396	FI4000024146	FI4000096896	FI4000019112	FI4000031604	FI4000099353	FI4000029400
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]
5	Post-transitional CRR rules	[T2]	[T2]	[N/A]	[T2]	[T2]	[N/A]	[T2]
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63
8	Amount recognised in regulatory capital	715	1 381	2 057	936	1 632	1 568	577
9	Nominal amount of instrument	893	1 726	2 211	1 170	2 040	1 655	721
9a	Issue price	100	100	100	100	100	100	100
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	17.5.10	18.5.11	26.5.14	17.11.10	21.11.11	26.6.14	21.9.11
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	17.5.15	18.5.16	26.8.19	17.11.15	21.11.16	26.9.19	21.9.16
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Floating	Fixed to floating	Fixed to floating	Fixed	Fixed
18	Coupon rate and any related index	Fixed 3.0% (first year), thereafter floating Euribor 12-month+ 0.25%	Fixed 3.5% (first year), thereafter floating Euribor 12-month+ 0.15%	12 kk Euribor + 0.50% (minimum rate 2.50 %)	Fixed 3.30 % (first year), thereafter floating Euribor 12-month + 0.25 %	Fixed 3.50% (first year), thereafter floating Euribor 12-month + 0.15 %	3.0%	3,25 %
19	Existence of a dividend stopper	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	[pakollinen]	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Commission implementing regulation (EU) No 1423/2013		NOOADEB2012	NOSD027519	NOSDVAIH19	NOSDVAIH19A	PARD032515	PARD035016	SSPDVAIH19	Share capital
1	Issuer	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Nooa Säästöpankki Oy	Someron Säästöpankki and Avain Säästöpankki	Someron Säästöpankki, Avain Säästöpankki and Ylihärmän Säästöpankki	Someron Säästöpankki	Säästöpankit
2	Unique identifier (ISIN)	FI0002002577	FI4000090287	FI4000108477	FI4000108469	FI4000013446	FI4000024377	FI4000104823	N/A
3	Governing law(s) of the instrument	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish	Finnish
4	Transitional CRR rules	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[T2]	[CET1]
5	Post-transitional CRR rules	[N/A]	[N/A]	[N/A]	[N/A]	[T2]	[T2]	[N/A]	[CET1]
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 62 and 63	(EU) No 575/2013 article 486 (4)	(EU) No 575/2013 article 28
8	Amount recognised in regulatory capital	272	2 191	1 304	1 451	1 120	2 880	1 513	44 670
9	Nominal amount of instrument	500	2 461	1 319	1 468	1 400	3 600	1 553	44 670
9a	Issue price	99,773333	100	100	100	100	100	100	N/A
9b	Redemption price	100 %	100 %	100 %	100 %	100 %	100 %	100 %	N/A
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders' equity
11	Original date of issuance	18.9.07	14.4.14	10.9.14	10.9.14	18.5.10	16.5.11	14.8.14	N/A
12	Perpeptual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Perpetual
13	Original maturity date	18.9.17	14.6.19	10.12.19	10.12.19	18.5.15	16.5.16	14.11.19	N/A
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
15	Optional call date, contingent call dates, and redemption amount	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed to floating	Fixed to floating	Fixed	Fixed	Fixed to floating	floating
18	Coupon rate and any related index	Floating Euribor 3-month + 2.0%	2,75 %	Fixed 2.75% until 10.12.2016, thereafter floating Euribor 12-month + 1.75 %	Fixed 3.0% until 10.12.2016, 10.12.2016, thereafter floating Euribor 12-month + 2.0 %	3,25 %	3,50 %	Fixed 2.50 % (first year), thereafter floating Euribor 12-month+ 0.5%	N/A
19	Existence of a dividend stopper	No	No	No	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No

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

Note 48.50 Capital requirement for credit, market and operational risk

Credit and counterparty risk (1 000 euros) Exposure class	2014 Risk weighted assets	2014 Capital requirement	2013 Risk weighted assets	2013 Capital requirement
Exposures to central governments or central banks	33	3	0	0
Exposures to regional governments or local authorities	279	22	0	0
Exposures to public sector entities	1		232	19
Exposures to multilateral development banks				
Exposures to international organisations				
Exposures to institutions	148 477	11 878	188 559	15 085
Exposures to corporates	909 636	72 771	971 895	77 752
Retail exposures	700 163	56 013	800 627	64 050
Exposures secured by mortgages on immovable property	1 361 652	108 932	1 255 259	100 421
Exposures in default	45 023	3 602	43 087	3 447
Exposures associated with particularly high risk	117	9	148	12
Exposures in the form of covered bonds	4 007	321	6 196	496
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	341 335	27 307	280 593	22 447
Equity exposures *)	191 179	15 294	0	0
Other items	109 373	8 750	144 696	11 576
Credit risk total	3 811 274	304 902	3 691 292	295 303
Credit valuation adjustment (CVA)	123 140	9 851		
Market risk	46 954	3 756	43 990	3 519
Operational risk	387 988	31 039	361 310	28 905
Minimum capital requirement	4 369 355	349 548	4 096 593	327 727

*) Equity exposures were included to other items in 2013.

Note 48.51 Total exposure

Credit and counterparty risk 2014

(1 000 euros) Exposure class	Balance sheet items	Off balance sheet items	Derivatives	Total
Exposures to central governments or central banks	499 477	280		499 757
Exposures to regional governments or local authorities	22 813	2 711		25 524
Exposures to public sector entities	4 514			4 514
Exposures to multilateral development banks	1 454			1 454
Exposures to international organisations	3 096			3 096
Exposures to institutions	451 036	73 820	110 108	634 964
Exposures to corporates	899 428	59 268	15 000	973 697
Retail exposures	1 271 511	111 230		1 382 741
Exposures secured by mortgages on immovable property	3 895 665	97 765		3 993 430
Exposures in default	59 869	61		59 930
Exposures associated with particularly high risk	78			78
Exposures in the form of covered bonds	40 072			40 072
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	400 557			400 557
Equity exposures	92 506			92 506
Other items	130 267			130 267
Total exposure	7 772 343	345 135	125 108	8 242 586

Credit and counterparty risk 2013

(1 000 euros) Exposure class	Balance sheet items	Off balance sheet items	Derivatives	Total
Exposures to central governments or central banks	299 868			299 868
Exposures to regional governments or local authorities	55 502	2 603		58 105
Exposures to public sector entities	28 116			28 116
Exposures to multilateral development banks	327			327
Exposures to international organisations	152			152
Exposures to institutions	636 022	67 306	93 076	796 404
Exposures to corporates	981 203	73 276		1 054 479
Retail exposures	1 048 096	109 233		1 157 330
Exposures secured by mortgages on immovable property	3 514 532	100 967		3 615 499
Exposures in default	38 899	79		38 978
Exposures associated with particularly high risk	99			99
Exposures in the form of covered bonds	43 082			43 082
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)	336 860			336 860
Equity exposures **)				0
Other items	160 595			160 595
Total exposure	7 143 353	353 464	93 076	7 589 893

**)Equity exposures were included to Other items in 2013

Note 48.52 Credit risk exposures by risk weights

Credit and counterparty risk (1 000 euros) Risk weight (%)	2014	2013
0	622 793	467 590
10	40 959	42 075
20	582 931	748 987
35	3 980 505	3 600 171
50	36 234	108 103
75	1 382 741	1 157 330
100	1 485 090	1 418 336
150	45 551	47 292
250	65 782	0
350	0	0
1250	0	9
Total exposure	8 242 586	7 589 893

Note 48.53 Credit risk exposures by maturity

Credit and counterparty risk

(1 000 euros) Exposure class	2014 Total	less than 3 months	3-12 months	1-5 years	5-10 years	over 10 years
Exposures to central governments or central banks	499 757	285 251	25 080	40 183	47 508	101 735
Exposures to regional governments or local authorities	25 524	203	361	4 918	11 092	8 950
Exposures to public sector entities	4 514		3 309	1 205		0
Exposures to multilateral development banks	1 454			316	1 138	0
Exposures to international organisations	3 096			3 096		0
Exposures to institutions	634 964	173 589	23 236	112 105	41 829	284 205
Exposures to corporates	973 697	36 496	61 743	352 658	154 516	368 283
Retail exposures	1 382 741	48 836	53 371	253 954	339 662	686 918
Exposures secured by mortgages on immovable property	3 993 430	44 470	69 656	379 887	743 064	2 756 353
Exposures in default	59 930	19 803	2 032	2 174	5 472	30 450
Exposures associated with particularly high risk	78					78
Exposures in the form of covered bonds	40 072		1 233	26 145	12 693	0
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)	400 557					400 557
Equity exposures	92 506					92 506
Other items	130 267	32 877		158		97 232
Total exposure	8 242 586	641 525	240 021	1 176 799	1 356 975	4 827 267

Credit and counterparty risk

(1 000 euros) Exposure class	2013 Total	less than 3 months	3-12 months	1-5 years	5-10 years	over 10 years
Exposures to central governments or central banks	299 868	33 435	8 988	44 518	48 503	164 425
Exposures to regional governments or local authorities	58 105	22	47	8 481	20 524	29 030
Exposures to public sector entities	28 116	8 021	13 860	5 270	918	47
Exposures to multilateral development banks	327			321		6
Exposures to international organisations	152	151				1
Exposures to institutions	796 404	241 310	45 542	122 563	11 244	375 744
Exposures to corporates	1 054 479	50 645	87 337	327 609	189 096	399 792
Retail exposures	1 157 330	34 267	50 036	214 139	292 541	566 347
Exposures secured by mortgages on immovable property	3 615 499	39 512	74 403	372 915	690 583	2 438 086
Exposures in default	38 978	15 804	552	2 572	6 081	13 969
Exposures associated with particularly high risk	99					99
Exposures in the form of coveredbonds	43 082		4 356	29 934	8 792	
Items representing securitisation positions						
Exposures to institutions and corporates with a short-term credit assesment						
Exposures in the form of units or shares in collective investment undertakings (CIUs)	336 860					336 860
Equity exposures						
Other items	160 595	23 410		182		137 003
Total exposure	7 589 893	446 577	285 121	1 128 504	1 268 282	4 461 409

Note 48.54 Credit risk exposures by business segments

Credit and counterparty risk

(1 000 euros) Exposure class	2014 Total	Other	Private customers	Agricultural	Corporate
Exposures to central governments or central banks	499 757	373 717	97 662	6 137	22 241
Exposures to regional governments or local authorities	25 524	17 896		482	7 146
Exposures to public sector entities	4 514	4 514			
Exposures to multilateral development banks	1 454	1 454			
Exposures to international organisations	3 096	3 096			
Exposures to institutions	634 964	634 120	511	17	316
Exposures to corporates	973 697	158 668	95 243	123 591	596 195
Retail exposures	1 382 741	52 347	665 390	253 375	411 628
Exposures secured by mortgages on immovable property	3 993 430	134 721	3 277 869	224 348	356 491
Exposures in default	59 930	1 537	32 057	3 221	23 115
Exposures associated with particularly high risk	78	78			
Exposures in the form of covered bonds	40 072	40 072			
Items representing securitisation positions					
Exposures to institutions and corporates with a short-term credit assesment					
Exposures in the form of units or shares in collective investment undertakings (CIUs)	400 557	400 557			
Equity exposures	92 506	78 544			13 962
Other items	130 267	130 267			
Total exposure	**8 242 586**	**2 031 588**	**4 168 733**	**611 171**	**1 431 094**

Credit and counterparty risk

(1 000 euros) Exposure class	2013 Total	Other	Private customers	Agricultural	Corporate
Exposures to central governments or central banks	299 868	90 522	152 295	15 947	41 105
Exposures to regional governments or local authorities	58 105	50 268	3	822	7 011
Exposures to public sector entities	28 116	27 875			241
Exposures to multilateral development banks	327	327			
Exposures to international organisations	152	152			
Exposures to institutions	796 404	795 049	937	37	381
Exposures to corporates	1 054 479	273 532	107 291	104 813	568 842
Retail exposures	1 157 330	41 757	585 730	193 594	336 248
Exposures secured by mortgages on immovable property	3 615 499	130 415	2 904 548	230 317	350 219
Exposures in default	38 978	478	21 057	1 991	15 452
Exposures associated with particularly high risk	99	8			91
Exposures in the form of covered bonds	43 082	43 082			
Items representing securitisation positions					
Exposures to institutions and corporates with a short-term credit assesment					
Exposures in the form of units or shares in collective investment undertakings (CIUs)	336 860	336 860			
Equity exposures					
Other items	160 595	147 211			13 384
Total exposure	7 589 893	1 937 537	3 771 861	547 520	1 332 974

Note 48.55 Guarantees taken into account in the capital adequacy calculations

Credit and counterparty risk

(1 000 euros) Exposure class	2014 Total expsoure	Guarantees	Financial guarantees	Other guarantees
Exposures to central governments or central banks	499 757			
Exposures to regional governments or local authorities	25 524		43	
Exposures to public sector entities	4 514			
Exposures to multilateral development banks	1 454			
Exposures to international organisations	3 096			
Exposures to institutions	634 964			
Exposures to corporates	973 697	31 843	7 064	278
Retail exposures	1 382 741	280 379	33 489	1 347
Exposures secured by mortgages on immovable property	3 993 430			5 520 664
Exposures in default	59 930	1 473	95	
Exposures associated with particularly high risk	78			
Exposures in the form of covered bonds	40 072			
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	400 557			
Equity exposures	92 506			
Other items	130 267			
Total exposure	8 242 586	313 696	40 691	5 522 289

Credit and counterparty risk

(1 000 euros) Exposure class	2013 Total expsoure	Guarantees	Financial guarantees	Other guarantees
Exposures to central governments or central banks	299 868			
Exposures to regional governments or local authorities	58 105			
Exposures to public sector entities	28 116		47	
Exposures to multilateral development banks	327			
Exposures to international organisations	152			
Exposures to institutions	796 404			
Exposures to corporates	1 054 479	35 189	8 681	
Retail exposures	1 157 330	258 773	34 104	
Exposures secured by mortgages on immovable property	3 615 499			5 231 316
Exposures in default	38 978	2 291	215	
Exposures associated with particularly high risk	99			
Exposures in the form of covered bonds	43 082			
Items representing securitisation positions				
Exposures to institutions and corporates with a short-term credit assesment				
Exposures in the form of units or shares in collective investment undertakings (CIUs)	336 860			
Equity exposures**)				
Other items	160 595			
Total exposure	7 589 893	296 253	43 047	5 231 316

**)Equity exposures were included to Other items in 2013

Note 48.56 Asset encumbrance

(1 000 euros)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting institution	123 159		7 740 037	
Equity instruments			465 399	573 434
Debt securities	122 597	122 597	496 810	652 762
Other assets	561		6 777 828	
Collateral received				
	Fair values of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued availlable for encumbrance		
Collateral received by the reporting institution	62 575			
Equity instruments				
Debt securities	62 575			
Muut Other collateral received vakuudet				
Own debt securities issued other than own covered bonds or ABSs				
Encumbered assets/collateral receives and debts due to those				
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own securities issued other than covered bonds and ABSs encumbered		
Carrying amount of selected financial liabilities	15 836	185 172		

Information about the importance of asset encumbrance

The Bank has used collateral of securities in the balance with a fair value of EUR 122,597 thousand. 31.12.2014 the Bank's received securities is pledged as collateral EUR 62,575 thousand.

Note 48.57 Operational risk

(1 000 euros)	2014	2013	2012	capital requirement
Cross income total	221 155	192 699		
Profit indicator	33 173	28 905		31 039

(1 000 euros)	2 013	2 012	2 011	capital requirement
Cross income total	192 699			
Profit indicator	28 905			28 905

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

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

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

Signatures

Signatures of the Consolidated Financial Statement of Savings Banks' Group

We have adopted the Report of Board of Directors and the Consolidated Financial Statements of the Savings Banks' Group specified in the Act on the amalgamation of deposit banks the for the financial year ending 31 December 2014. The report and the Financial Statements are presented to the General Meeting of Savings Banks' Union Coop.

In Espoo 24 February, 2015

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

Jussi Hakala
Chairman of the Board

Matti Saustila
Vice chairman of the Board

Hans Bondén
Member of the Board

Pirkko Ahonen
Member of the Board

Juhani Huupponen
Member of the Board

Pasi Kämäri
Managing Director

Auditor's endorsement

Our auditor's report has been issued today
Helsinki, 26 February 2015

KPMG Oy Ab

Petri Kettunen
Authorised Public Accountant

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

AUDITOR'S REPORT

To the members of Savings Banks' Union Coop

We have audited the consolidated financial statements and the report of the Board of Directors for the year ended on 31 December 2014 of the Savings Banks Group pursuant to the Act on the Amalgamation of Deposit Banks. The financial statements comprise the consolidated balance sheet and notes to the financial statements.

The Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in a manner explained in more detail in the notes to the consolidated financial statements, as well as for the preparation of the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the report of the Board of Directors in Finland.

Auditor's Responsibility
Our responsibility is to express an opinion on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the report of the Board of Directors. In carrying out the audit, we have also acquainted ourselves with the financial statement policies adopted by the Savings Banks Group's member institutions, as well as the auditors' reports submitted for the audit of the Savings Banks Group's consolidated financial statements.

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

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

Opinion on the Report of the Board of Directors
In our opinion, the report of the Board of Directors gives a true and fair view of Savings Banks Group's financial performance and financial position in accordance with the laws and regulations governing the preparation of the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the consolidated financial statements.

Helsinki, 26 February 2015

KPMG OY AB
Petri Kettunen
Authorized Public Accountant