

**Amalgamation of  
POP Banks'**

**CAPITAL ADEQUACY  
REPORT**

**2018**

POP Pankki 

## PILLAR III CAPITAL ADEQUACY DISCLOSURES

The amalgamation of POP Banks is formed by the central institution (POP Bank Alliance Coop), the member credit institutions of the central institution, the companies included in the consolidation groups of the member credit institutions and those credit institutions, financial institutions and service companies in which entities included in the amalgamation jointly hold over 50% of the votes. More detailed information about the entities included in the consolidation group is presented in Note 39 of the POP Bank Group's consolidated financial statements.

Information pursuant to Part Eight of the EU's Capital Requirements Regulation No 575/2013 regarding capital adequacy of the amalgamation of POP Banks is presented in this report (Pillar III disclosures). The information is based on the capital adequacy of the amalgamation of POP Banks. Consequently, the information presented in this report is not directly comparable with the figures presented in the financial statements of the POP Bank Group. This report is unaudited.

Pillar III disclosure requirements regarding governance and management systems and risk and capital adequacy management are presented in Notes 3 and 4 of the POP Bank Group's consolidated financial statements, respectively. The remuneration disclosure requirements are in part pre-

sented in Note 3 on governance and management systems and Note 11 on personnel expenses of the Group's financial statements in addition to this report.

The amalgamation of POP Banks does not publish information regarding counterparty risk and countercyclical capital buffer requirements pursuant to articles 439 and 440 of the EU's Capital Requirements Regulation, respectively. The Board of Directors of the central institution has considered in its materiality assessment that information concerning counterparty risk and countercyclical capital buffer requirements is not material as their share of the risk-weighted assets is very small.

The capital requirement to credit risk of the amalgamation of POP Banks is calculated using the standardised approach and capital requirement to operational risk using the basic indicator approach. The capital requirement for market risk is calculated for the foreign exchange exposure using the basic indicator approach.

The amalgamation of POP Banks has decided to not apply the IFRS 9-related transitional arrangements laid down in article 473 a of the Capital Requirements Regulation. As a result, reported own funds, capital and leverage ratio all reflect the full, phased-in impact of IFRS 9.

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## Note 1 SUMMARY OF CAPITAL ADEQUACY

(EUR 1.000)	31/12/2018	31/12/2017
<b>Own funds</b>		
Common Equity Tier 1 capital before deductions	512 130	509 965
Deductions from Common Equity Tier 1 capital	-11 358	-10 271
<b>Total Common Equity Tier 1 capital (CET1)</b>	<b>500 772</b>	<b>499 694</b>
Additional Tier 1 capital before deductions	3 952	4 980
Deductions from Additional Tier 1 capital	-	-
<b>Additional Tier 1 capital (AT1)</b>	<b>3 952</b>	<b>4 980</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>504 724</b>	<b>504 674</b>
Tier 2 capital before deductions	2 371	2 490
Deductions from Tier 2 capital	-	-
<b>Total Tier 2 capital (T2)</b>	<b>2 371</b>	<b>2 490</b>
<b>Total capital (TC = T1 + T2)</b>	<b>507 096</b>	<b>507 164</b>
<b>Total risk weighted assets</b>	<b>2 443 632</b>	<b>2 395 591</b>
of which credit risk	2 213 845	2 165 067
of which credit valuation adjustment risk (CVA)	1	270
of which market risk (foreign exchange risk)	24 470	25 571
of which operational risk	205 315	204 682
<b>Fixed capital conservation buffer according to Act on Credit institutions (2.5%)</b>	<b>61 091</b>	<b>59 890</b>
<b>Countercyclical capital buffer</b>	<b>379</b>	<b>285</b>
CET1 Capital ratio (CET1-%)	20.5 %	20.9 %
T1 Capital ratio (T1-%)	20.7 %	21.1 %
Total capital ratio (TC-%)	20.8 %	21.2 %
<b>Capital Requirement</b>		
Total capital	507 096	507 164
Capital requirement *	256 960	251 822
Capital buffer	250 136	255 342
<b>Leverage ratio</b>		
Tier 1 capital (T1)	504 724	504 674
Leverage ratio exposure	4 471 092	4 327 162
Leverage ratio. %	11.3 %	11.7 %

\* The capital requirement comprises the minimum requirement of 8.0 %, the capital conservation buffer of 2.5 % and the country-specific countercyclical capital requirements of foreign exposures. Thus, the cumulative capital requirement as of 31 December 2018 is 10.5 %.

During 2019 the total capital requirement will be affected by the Financial Supervisory Authority's decisions regarding a systemic risk buffer capital requirement and an additional Pillar 2 capital requirement (1.0 % effective on 1 July 2019 and 1.25 % effective on 30 September 2019, respectively). Consequently, the cumulative capital requirement will rise to 12.75 % by 30 September 2019.

## Note 2 OWN FUNDS BY CLASS

OWN FUNDS DISCLOSURE TEMPLATE (EUR 1.000)		Regulation (EU) n:o 575/2013 article reference	
	<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1	Capital instruments and the related share premium accounts	64 102	26 (1), 27, 28, 29
	of which: cooperative capital	9 082	
	of which: POP Shares	55 020	
2	Retained earnings	289 998	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	152 139	26 (1)
3a	Funds for general banking risk	-	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	6 587	486 (2)
5	Minority interests (amount allowed in consolidated CET1)	-	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26 (2)
6	Common Equity Tier 1 capital (CET1) before regulatory adjustments	512 826	
	<b>Common Equity Tier 1 capital (CET1): statutory adjustments</b>		
7	Additional value adjustments (negative amount)	-696	34, 105
8	Intangible assets (net of tax liability) (negative amount)	-5 026	36 (1) (b), 37
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability where the conditions of Article 38(3) are met) (negative amount)	-	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	-	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	-	32 (1)
14	Gains or losses on liabilities that are valued at fair value resulting from changes in own credit standing	-	33 (1) (b)
15	Defined benefit pension fund assets (negative amount)	-	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 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
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79
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)	-6 331	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
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)
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)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	36 (1) (j)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-12 054	
29	Common Equity Tier 1 (CET1) capital	500 772	

## Note 2 OWN FUNDS BY CLASS

	<b>Additional Tier 1 (AT1) capital: instruments</b>		
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 qualified items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	3 952	486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	85, 86
35	of which: instruments issued by subsidiaries subject to phase out	-	486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	3 952	
	<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57
38	Direct, indirect and synthetic 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
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
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	56 (d), 59, 60, 79
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	3 952	
45	Tier 1 capital (T1 = CET1 + AT1)	504 724	
	<b>Tier 2 (T2) capital: instruments and provisions</b>		
46	Capital instruments and the related share premium accounts	-	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	2 371	486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	87, 88
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	2 371	

## Note 2 OWN FUNDS BY CLASS

<b>Tier 2 (T2) capital: regulatory adjustments</b>			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans 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)	-	66 (b), 68
54	Direct and indirect 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 positions) (negative amount)	-	66 (c), 69, 70, 79
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	66 (d), 69, 79
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	2 371	
59	Total Capital (TC = T1 + T2)	507 096	
60	Total risk weighted assets	2 443 632	
<b>Capital ratios and buffers</b>			
61	Common Equity Tier 1 (as a percentage of the total risk exposure amount)	20.5 %	92 (2) (a)
62	Tier 1 (as a percentage of the total risk exposure amount)	20.7 %	92 (2) (b)
63	Total Capital (as a percentage of the total risk exposure amount)	20.8 %	92 (2) (c)
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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)	1 762	36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
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)	50 710	36 (1) (i), 45, 48
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
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
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>			
80	- Current cap on CET1 instruments subject to phase out arrangements	16 468	484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	9 881	484 (3), 486 (2) & (5)
82	- Current cap on AT1 instruments subject to phase out arrangements	9 881	484 (4), 486 (3) & (5)
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	5 928	484 (4), 486 (3) & (5)
84	- Current cap on T2 instruments subject to phase out arrangements	5 928	484 (5), 486 (4) & (5)
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	3 557	484 (5), 486 (4) & (5)

## Note 3 CAPITAL INSTRUMENTS' MAIN FEATURES

### Commission implementing regulation (EU) No 1423/2013

		Supplementary cooperative capital	Cooperative capital	POP Shares
1	Issuer	Member cooperative banks	Member cooperative banks	Member cooperative banks
2	Unique identifier	Not applicable	Not applicable	Not applicable
3	Governing law(s) of the instrument	Finnish legislation	Finnish legislation	Finnish legislation
4	Transitional CRR rules	Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1), Tier 2 capital (T2)	Common Equity Tier 1 capital (CET1)	Common Equity Tier 1 capital (CET1)
5	Post-transitional CRR rules	Not applicable	Common Equity Tier 1 capital (CET1)	Common Equity Tier 1 capital (CET1)
6	Eligible at solo/(sub-)consolidated/solo &(sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type	Regulation (EU) No 575/2013 article 484	Regulation (EU) No 575/2013 article 29	Regulation (EU) No 575/2013 article 29
8	Amount recognised in regulatory capital (currency in millions on the latest reporting date)	12.9	9.1	55.0
9	Nominal amount of the instrument (currency in millions)	21.4	9.3	55.3
9a	Issue price	100 %	100 %	100 %
9b	Redemption price	100 %	100 %	100 %
10	Accounting classification	Cooperative's share	Cooperative's share	Cooperative's share
11	Original date of issuance	Continuous	Continuous	Bank specific
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes



### Note 3 CAPITAL INSTRUMENTS' MAIN FEATURES

15	Optional call date, contingent call dates and redemption amount	Cooperative banks refund unit holders their supplementary cooperative contributions upon termination of membership or when the unit holder has resigned the contribution. The supplementary contribution is refunded within six 6 months of the end of the financial year based on which the refund can be for the first time. If the refund cannot be made in full, the refund may take place subsequently if it is possible based on the next three financial statements.	The member contribution is refunded after the expiry of membership in accordance with the Co-operatives Act and the Act on Co-operative Banks and Other Credit Institutions in the Form of a Co-operative on conditions laid down in the abovementioned Acts. However, the cooperative bank has the right to refuse to refund the contributions while the bank is operating. If a cooperative bank has not refused to refund the contribution, this may take place within 12 months after the end of the financial year when membership terminated. If the refund cannot be made in full in any given year, the balance will be refunded from disposable cooperative capital based on subsequent financial statements. However, this entitlement to the refund for the balance will terminate after the fifth financial statements. No interest is paid on the unpaid portion.	The cooperative bank refunds POP Share subscription price upon termination of membership or when the unit holder has resigned the POP Share. However, the cooperative bank has the right to refuse to refund payments made for POP Shares while the bank is operating. If a cooperative bank has not refused to refund POP Share, this may take place within 12 months after the end of the financial year when the holder of the POP Share resigned the contribution. The payments made for POP Shares are refunded on the conditions laid down in the Co-operatives Act and the Act on Co-operative Banks and Other Credit Institutions in the Form of a Cooperative and these rules. If the refund cannot be made in full in any given year, the balance will be refunded from disposable cooperative capital based on subsequent financial statements. However, this entitlement to the refund for the balance will terminate after the fifth financial statements. No interest is paid on the unpaid portion.
16	Any subsequent redemption dates	See item 15	See item 15	See item 15
17	Fixed or variable dividend/coupon	Variable	Variable	Variable
18	Coupon interest rate and the related indices	Decision by the cooperative	Decision by the cooperative	Decision by the cooperative
19	Existence of a dividend stopper clause	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partly discretionary or mandatory (with regard to amount)	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of a step-up condition or other redemption incentive	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Negotiable or restricted	Restricted	Restricted	Restricted
24	If the instrument is negotiable, which factors affect the condition?	Not applicable	Not applicable	Not applicable
25	If the instrument is negotiable, is it negotiable in its entirety or partly?	Not applicable	Not applicable	Not applicable

### Note 3 CAPITAL INSTRUMENTS' MAIN FEATURES

26	If the instrument is negotiable, what is the exchange rate?	Not applicable	Not applicable	Not applicable
27	If the instrument is negotiable, is the exchange mandatory or optional?	Not applicable	Not applicable	Not applicable
28	If the instrument is negotiable, specify which kind of an instrument it can be exchanged for.	Not applicable	Not applicable	Not applicable
29	If the instrument is negotiable, specify which issuer's instrument it can be exchanged for.	Not applicable	Not applicable	Not applicable
30	Properties of a write-down of book value	Yes	Yes	Yes
31	If it is possible to write down the book value, which factors trigger it?	Accrual of losses	Accrual of losses	Accrual of losses
32	If it is possible to write down the book value, is it performed completely or partly?	Completely or partly	Completely or partly	Completely or partly
33	If it is possible to write down the book value, is it permanent or temporary?	Temporary	Temporary	Temporary
34	If the write down of the book value is temporary, describe the mechanism of an increase in book value.	Through increase in cooperative capital	Through increase in cooperative capital	Through increase in cooperative capital
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	If a cooperative bank is dissolved either through liquidation or bankruptcy, any supplementary cooperative capital is refunded other cooperative capital or, if the funds are insufficient, that part of supplementary cooperative capital that is proportional to the supplementary cooperative capital paid.	If a cooperative bank is dissolved, supplementary cooperative capital is first refunded and thereafter member cooperative capital and payments made for POP Shares with equal priority.	If a cooperative bank is dissolved, supplementary cooperative capital is first refunded and thereafter member cooperative capital and payments made for POP Shares with equal priority.
36	Non-compliant properties	No	No	No
37	Specify any non-compliant properties	Not applicable	Not applicable	Not applicable

## Note 4 MINIMUM CAPITAL REQUIREMENT AND RISK WEIGHTED ASSETS

(EUR 1.000)	Capital requirement		Risk weighted assets	
	2018	2017	2018	2017
<b>Credit and counterparty risk by exposure class</b>				
Exposures to central governments or central banks	379	368	4 737	4 600
Exposures to regional governments or local authorities	63	61	783	758
Exposures to public sector entities	13	13	160	162
Exposures to institutions	1 547	1 216	19 336	15 202
Exposures to corporates	48 598	47 241	607 481	590 516
Retail exposures	24 602	25 136	307 525	314 194
Exposures secured by mortgages on immovable property	66 383	63 004	829 784	787 549
Exposures in default	2 982	2 981	37 273	37 265
Exposures associated with particularly high risk	444	399	5 553	4 989
Exposures in the form of covered bonds	225	217	2 817	2 711
Exposures in the form of units or shares in collective investment undertakings (CIUs)	14 765	15 355	184 567	191 932
Equity exposures	10 965	10 997	137 061	137 457
Other items	6 141	6 219	76 768	77 733
<b>Total credit risk exposures</b>	<b>177 108</b>	<b>173 205</b>	<b>2 213 845</b>	<b>2 165 067</b>
<b>Credit valuation adjustment risk (CVA)</b>	0	22	1	270
<b>Market risk (exchange rate risk)</b>	1 958	2 046	24 470	25 571
<b>Operational risk</b>	16 425	16 375	205 315	204 682
<b>Total</b>	<b>195 491</b>	<b>191 647</b>	<b>2 443 632</b>	<b>2 395 591</b>

## Note 5 AVERAGE VALUE OF TOTAL EXPOSURES DURING THE FINANCIAL PERIOD BY EXPOSURE CLASS

### Credit and counterparty risk

Exposure class (EUR 1.000)	2018	2017
Exposures to central governments or central banks	110 169	116 180
Exposures to regional governments or local authorities	222 166	203 365
Exposures to public sector entities	-	-
Exposures to multilateral development banks	597	598
Exposures to institutions	72 456	88 259
Exposures to corporates	702 909	692 725
Retail exposures	689 010	660 737
Exposures secured by mortgages on immovable property	2 382 016	2 268 083
Exposures in default	46 162	47 100
Exposures associated with particularly high risk	3 614	3 402
Exposures in the form of covered bonds	15 515	16 515
Exposures in the form of units or shares in collective investment undertakings (CIUs)	203 682	276 808
Equity exposures	62 258	56 777
Other items	94 391	99 324
<b>Total</b>	<b>4 604 945</b>	<b>4 529 873</b>

## Note 6 ORIGINAL EXPOSURE BY RISK WEIGHT

### Credit and counterparty risk

Risk weight (%) (EUR 1,000)	2018	2017
0	349 569	381 963
10	24 825	14 263
20	102 446	82 176
35	2 394 579	2 289 366
50	39 906	28 972
75	696 118	662 712
100	977 822	972 645
150	31 657	32 844
250	52 535	52 452
350	-	-
<b>Total</b>	<b>4 669 456</b>	<b>4 517 394</b>

## Note 7 DISTRIBUTION OF MATURITIES OF TOTAL EXPOSURE BY EXPOSURE CLASS

### Credit and counterparty risk 31 December 2018

Exposure class (EUR 1.000)	Total	less than 3 months	3-12 months
Exposures to central governments or central banks	117 386	72 130	5 462
Exposures to regional governments or local authorities	220 648	1 500	119 511
Exposures to public sector entities	-	-	-
Exposures to multilateral development banks	603	-	-
Exposures to institutions	90 356	1 423	15 562
Exposures to corporates	698 301	26 098	35 242
Retail exposures	696 118	10 195	26 399
Exposures secured by mortgages on immovable property	2 425 028	19 460	28 438
Exposures in default	43 599	21 219	665
Exposures associated with particularly high risk	3 702	-	-
Exposures in the form of covered bonds	23 689	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	197 750	-	-
Equity exposures	60 995	-	-
Other items	91 281	22 570	-
<b>Total</b>	<b>4 669 456</b>	<b>174 596</b>	<b>231 279</b>

Exposure class (EUR 1.000)	1-5 years	5-10 years	over 10 years
Exposures to central governments or central banks	17 013	22 781	-
Exposures to regional governments or local authorities	99 567	70	-
Exposures to public sector entities	-	-	-
Exposures to multilateral development banks	-	603	-
Exposures to institutions	16 830	-	56 541
Exposures to corporates	144 916	147 987	344 059
Retail exposures	90 902	116 087	452 535
Exposures secured by mortgages on immovable property	212 994	427 380	1 736 756
Exposures in default	6 201	5 043	10 470
Exposures associated with particularly high risk	-	-	3 702
Exposures in the form of covered bonds	8 147	15 542	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	197 750
Equity exposures	-	-	60 995
Other items	236	-	68 475
<b>Total</b>	<b>596 807</b>	<b>735 493</b>	<b>2 931 282</b>

## Note 7 DISTRIBUTION OF MATURITIES OF TOTAL EXPOSURE BY EXPOSURE CLASS

### Credit and counterparty risk 31 December 2017

Exposure class (EUR 1.000)	Total	less than 3 months	3-12 months
Exposures to central governments or central banks	108 199	78 173	1 016
Exposures to regional governments or local authorities	261 968	800	3 507
Exposures to public sector entities	-	-	-
Exposures to multilateral development banks	601	-	-
Exposures to institutions	68 742	2 253	117
Exposures to corporates	682 239	27 976	35 905
Retail exposures	662 712	10 660	23 954
Exposures secured by mortgages on immovable property	2 303 933	21 939	28 947
Exposures in default	47 966	19 846	869
Exposures associated with particularly high risk	3 326	-	-
Exposures in the form of covered bonds	12 996	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	211 207	-	-
Equity exposures	61 539	-	-
Other items	91 967	21 682	-
<b>Total</b>	<b>4 517 394</b>	<b>183 329</b>	<b>94 316</b>

Exposure class (EUR 1.000)	1-5 years	5-10 years	over 10 years
Exposures to central governments or central banks	16 047	12 963	-
Exposures to regional governments or local authorities	18 654	-	239 007
Exposures to public sector entities	-	-	-
Exposures to multilateral development banks	-	601	-
Exposures to institutions	12 585	23 171	30 617
Exposures to corporates	147 418	145 929	325 012
Retail exposures	96 321	112 749	419 028
Exposures secured by mortgages on immovable property	212 519	410 989	1 629 539
Exposures in default	5 019	9 541	12 690
Exposures associated with particularly high risk	-	-	3 326
Exposures in the form of covered bonds	12 596	401	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	211 207
Equity exposures	-	-	61 539
Other items	129	-	70 156
<b>Total</b>	<b>521 285</b>	<b>716 343</b>	<b>3 002 121</b>

## Note 8 TOTAL EXPOSURE BY EXPOSURE CLASS AND COUNTERPARTY

### Credit and counterparty risk 31 December 2018

Exposure class (EUR 1.000)	Total	Private	Corporate	- of which SME exposures
Exposures to central governments or central banks	117 386	57 459	5 872	-
Exposures to regional governments or local authorities	220 648	-	1 824	-
Exposures to public sector entities	-	-	-	-
Exposures to multilateral development banks	603	-	-	-
Exposures to institutions	90 356	331	199	-
Exposures to corporates	698 301	84 751	275 045	120 170
Retail exposures	696 118	440 633	110 048	83 842
Exposures secured by mortgages on immovable property	2 425 028	1 949 710	250 176	119 386
Exposures in default	43 599	14 168	13 792	-
Exposures associated with particularly high risk	3 702	-	-	-
Exposures in the form of covered bonds	23 689	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	197 750	-	-	-
Equity exposures	60 995	-	12 687	-
Other items	91 281	-	-	-
<b>Total</b>	<b>4 669 456</b>	<b>2 547 053</b>	<b>669 644</b>	<b>323 397</b>

Exposure class (EUR 1.000)	Agriculture	Other
Exposures to central governments or central banks	7 524	46 532
Exposures to regional governments or local authorities	149	218 675
Exposures to public sector entities	-	-
Exposures to multilateral development banks	-	603
Exposures to institutions	138	89 688
Exposures to corporates	265 839	72 666
Retail exposures	120 507	24 930
Exposures secured by mortgages on immovable property	183 996	41 145
Exposures in default	4 588	11 051
Exposures associated with particularly high risk	-	3 702
Exposures in the form of covered bonds	-	23 689
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	197 750
Equity exposures	39	48 269
Other items	-	91 281
<b>Total</b>	<b>582 779</b>	<b>869 981</b>

## Note 8 TOTAL EXPOSURE BY EXPOSURE CLASS AND COUNTERPARTY

### Credit and counterparty risk 31 December 2017

Exposure class (EUR 1,000)	Total	Private	Corporate	- of which SME exposures
Exposures to central governments or central banks	108 199	50 056	4 572	-
Exposures to regional governments or local authorities	261 968	-	1 215	-
Exposures to public sector entities	-	-	-	-
Exposures to multilateral development banks	601	-	-	-
Exposures to institutions	68 742	423	172	-
Exposures to corporates	682 239	63 434	287 833	120 367
Retail exposures	662 712	373 607	129 155	86 165
Exposures secured by mortgages on immovable property	2 303 933	1 856 883	218 004	101 663
Exposures in default	47 966	17 665	23 628	-
Exposures associated with particularly high risk	3 326	-	-	-
Exposures in the form of covered bonds	12 996	-	1 568	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	211 207	-	-	-
Equity exposures	61 539	-	12 956	-
Other items	91 967	-	-	-
<b>Total</b>	<b>4 517 394</b>	<b>2 362 067</b>	<b>679 103</b>	<b>308 194</b>

Exposure class (EUR 1,000)	Agriculture	Other
Exposures to central governments or central banks	3 851	49 721
Exposures to regional governments or local authorities	173	260 580
Exposures to public sector entities	-	-
Exposures to multilateral development banks	-	601
Exposures to institutions	-	68 147
Exposures to corporates	273 087	57 885
Retail exposures	147 733	12 216
Exposures secured by mortgages on immovable property	192 109	36 937
Exposures in default	5 760	913
Exposures associated with particularly high risk	-	3 326
Exposures in the form of covered bonds	-	11 428
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	211 207
Equity exposures	39	48 544
Other items	-	91 967
<b>Total</b>	<b>622 752</b>	<b>853 471</b>



## Note 9 GEOGRAPHICAL BREAKDOWN OF SIGNIFICANT CREDIT EXPOSURES

### Credit and counterparty risk 31 December 2018

Exposure class (EUR 1.000)	Total	Finland	Other
Exposures to central governments or central banks	117 386	75 900	41 486
Exposures to regional governments or local authorities	220 648	220 648	-
Exposures to public sector entities	-	-	-
Exposures to multilateral development banks	603	-	603
Exposures to institutions	90 356	84 280	6 076
Exposures to corporates	698 301	670 903	27 399
Retail exposures	696 118	693 451	2 668
Exposures secured by mortgages on immovable property	2 425 028	2 421 372	3 656
Exposures in default	43 599	43 590	9
Exposures associated with particularly high risk	3 702	3 702	-
Exposures in the form of covered bonds	23 689	2 016	21 672
Exposures in the form of units or shares in collective investment undertakings (CIUs)	197 750	185 868	11 881
Equity exposures	60 995	55 751	5 244
Other items	91 281	91 281	-
<b>Total</b>	<b>4 669 456</b>	<b>4 548 762</b>	<b>120 695</b>

### Credit and counterparty risk 31 December 2017

Exposure class (EUR 1.000)	Total	Finland	Other
Exposures to central governments or central banks	108 199	77 025	31 175
Exposures to regional governments or local authorities	261 968	261 912	56
Exposures to public sector entities	-	-	-
Exposures to multilateral development banks	601	-	601
Exposures to institutions	68 742	51 136	17 606
Exposures to corporates	682 239	660 144	22 095
Retail exposures	662 712	660 726	1 986
Exposures secured by mortgages on immovable property	2 303 933	2 300 176	3 757
Exposures in default	47 966	47 923	42
Exposures associated with particularly high risk	3 326	3 326	-
Exposures in the form of covered bonds	12 996	1 568	11 428
Exposures in the form of units or shares in collective investment undertakings (CIUs)	211 207	193 990	17 217
Equity exposures	61 539	56 256	5 283
Other items	91 967	91 967	-
<b>Total</b>	<b>4 517 394</b>	<b>4 406 148</b>	<b>111 246</b>

## Note 10 TOTAL EXPOSURES BY EXPOSURE CLASS BY COLLATERAL

### Credit and counterparty risk 31 December 2018

Exposure class (EUR 1,000)	Total	Financial collateral	Secured by real estate	Guarantees	Other
Exposures to central governments or central banks	117 386	-	-	-	-
Exposures to regional governments or local authorities	220 648	-	-	-	-
Exposures to public sector entities	-	-	-	-	-
Exposures to multilateral development banks	603	-	-	-	-
Exposures to institutions	90 356	-	-	-	-
Exposures to corporates	698 301	4 000	-	24 436	131
Retail exposures	696 118	8 726	-	132 321	586
Exposures secured by mortgages on immovable property	2 425 028	-	2 425 028	-	-
Exposures in default	43 599	202	21 341	1 236	10
Exposures associated with particularly high risk	3 702	-	-	-	-
Exposures in the form of covered bonds	23 689	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	197 750	-	-	-	-
Equity exposures	60 995	-	-	-	-
Other items	91 281	-	-	-	-
<b>Total</b>	<b>4 669 456</b>	<b>12 928</b>	<b>2 446 370</b>	<b>157 993</b>	<b>728</b>

### Credit and counterparty risk 31 December 2017

Exposure class (EUR 1,000)	Total	Financial collateral	Secured by real estate	Guarantees	Other
Exposures to central governments or central banks	108 199	-	-	-	-
Exposures to regional governments or local authorities	261 968	-	-	-	-
Exposures to public sector entities	-	-	-	-	-
Exposures to multilateral development banks	601	-	-	-	-
Exposures to institutions	68 742	-	-	-	-
Exposures to corporates	682 239	4 362	-	22 095	181
Retail exposures	662 712	8 473	-	108 897	450
Exposures secured by mortgages on immovable property	2 303 933	-	2 303 933	-	-
Exposures in default	47 966	4	25 354	1 054	-
Exposures associated with particularly high risk	3 326	-	-	-	-
Exposures in the form of covered bonds	12 996	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	211 207	-	-	-	-
Equity exposures	61 539	-	-	-	-
Other items	91 967	-	-	-	-
<b>Total</b>	<b>4 517 394</b>	<b>12 838</b>	<b>2 329 287</b>	<b>132 046</b>	<b>631</b>

## **Note 11 COLLATERAL USED IN CAPITAL ADEQUACY**

The following collateral specified in the EU Capital Requirements Regulation No 575/2013 are utilised in capital adequacy calculations: residential real estates and shares entitling their holders to the possession of an apartment, deposits and securities. Deposits and securities are financial collateral, as referred to in the regulatory framework. Financial collateral is treated applying the comprehensive method and volatility adjustments specified by the supervisor.

In addition, approved guarantors specified in the EU's Capital Requirements Regulation are used in the standardised approach for credit risk. The Finnish State is the most significant individual guarantor. Credit derivatives have not been used in the calculation. Offsetting balance-sheet or off-balance-sheet items has not been applied in capital adequacy measurement.

## Note 12 DEGREE OF ASSET ENCUMBRANCE

### Assets 31 Dec 2018

(EUR 1.000)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
<b>Assets of the institution</b>	<b>19 392</b>		<b>4 391 950</b>	
Equity instruments	-	-	66 825	66 845
Debt securities	19 392	19 392	609 415	609 696
Other assets	-		3 715 710	

### Collateral received 31 Dec 2018

The bank did not have encumbered collateral received or own debt securities issued as of December 31 2018. The bank did neither have collateral received or own securities issued that would have been available for encumbrance.

### Encumbered assets/collateral received and debts relating to them 31 Dec 2018

(EUR 1.000)	Financing obtained against encumbered asset items (liabilities), contingent liabilities or borrowed securities	Assets, collateral received and debt securities other than covered bonds and asset-backed securities encumbered
<b>Carrying amount of selected financial liabilities</b>	-	<b>19 392</b>

### Information about the importance of asset encumbrance

The Bank has used collateral of securities in the balance with a carrying amount of EUR 19 392 thousand. Information is as of 31 December 2018.

### Assets 31 Dec 2017

(EUR 1.000)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
<b>Assets of the institution</b>	<b>18 524</b>		<b>4 258 687</b>	
Equity instruments	-	-	282 165	282 235
Debt securities	18 524	18 524	439 484	439 484
Other assets	-		3 537 038	

### Collateral received 31 Dec 2017

The bank did not have encumbered collateral received or own debt securities issued as of December 31 2017. The bank did neither have collateral received or own securities issued that would have been available for encumbrance.

### Encumbered assets/collateral received and debts relating to them 31 Dec 2017

(EUR 1.000)	Financing obtained against encumbered asset items (liabilities), contingent liabilities or borrowed securities	Assets, collateral received and debt securities other than covered bonds and asset-backed securities encumbered
<b>Carrying amount of selected financial liabilities</b>	-	<b>18 524</b>

### Information about the importance of asset encumbrance

The Bank has used collateral of securities in the balance with a carrying amount of EUR 18 524 thousand. Information is as of 31 December 2017.

## Note 13 OPERATIONAL RISK STATEMENT

### Operational risk capital requirement 31 Dec 2018

(EUR 1.000)	2018	2017	2016	Capital requirement
Gross income total	101 834	109 046	117 625	
Profit indicator	15 275	16 357	17 644	16 425

### Operational risk capital requirement 31 Dec 2017

(EUR 1.000)	2017	2016	2015	Capital requirement
Gross income total	109 046	117 625	100 821	
Profit indicator	16 357	17 644	15 123	16 375

Profit indicator is calculated according to the basic indicator approach described in the EU's Capital Requirements Regulation No 575/2013.

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

Operational risks refer to the risk of loss that banks may incur as a result of inadequate or incomplete internal processes, personnel, systems or external factors.

## Note 14 LEVERAGE RATIO

31 Dec 2018

Reconciliation of leverage ratio and balance sheet		(EUR 1.000)
1	Total assets as per published financial statements	4 411 342
4	Adjustments for derivative financial instruments	-
6	Adjustment for off-balance sheet items	83 372
7	Other adjustments	-23 622
8	<b>Total leverage ratio exposures</b>	4 471 092

Disclosure of leverage ratio		CRR leverage ratio exposures
<b>Balance sheet exposures (excluding derivative contracts, SFTs)</b>		
1	On-balance sheet items (excluding derivative contracts, SFTs and fiduciary assets, but including collateral)	4 399 353
3	<b>Total on-balance sheet exposures (excluding derivative contracts, SFTs and fiduciary assets)</b>	4 399 353
<b>Derivative contracts</b>		
4	Derivative contracts: market value	420
5	Derivative contracts: mark-to-market method	-
11	<b>Total derivative contracts</b>	420
<b>Other off-balance-sheet exposures</b>		
17	Off-balance sheet exposures at gross notional amount	238 884
18	(Adjustments for conversion to credit equivalent amounts)	-155 512
19	<b>Other off-balance-sheet exposures</b>	83 372
<b>Capital and total exposures</b>		
20	<b>Tier 1 capital</b>	504 724
21	<b>Total leverage ratio exposures</b>	4 471 092
<b>Leverage ratio</b>		
22	<b>Leverage ratio</b>	11.3 %
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>		
EU-23	Choice on transitional arrangements for the definition of the capital measure	10 539

Balance sheet exposures total (excluding derivative contracts, SFTs and exempted exposures)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivative contracts, SFTs and exempted exposures), of which:	4 399 353
EU-3	Banking book exposures, of which:	4 399 353
EU-4	Covered bonds	23 689
EU-5	Exposures treated as sovereigns	468 483
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	4 717
EU-7	Institutions	90 325
EU-8	Secured by mortgages of immovable properties	2 370 286
EU-9	Retail exposures	425 476
EU-10	Exposures to corporates	630 515
EU-11	Exposures in default	32 135
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	353 727

## Note 14 LEVERAGE RATIO

31 Dec 2017

Reconciliation of leverage ratio and balance sheet		(EUR 1,000)
1	Total assets as per published financial statements	4 277 210
4	Adjustments for derivative financial instruments	75
6	Adjustment for off-balance sheet items	70 816
7	Other adjustments	-20 940
<b>8</b>	<b>Total leverage ratio exposures</b>	<b>4 327 162</b>

Disclosure of leverage ratio		CRR leverage ratio exposures
<b>Balance sheet exposures (excluding derivative contracts, SFTs)</b>		
1	On-balance sheet items (excluding derivative contracts, SFTs and fiduciary assets, but including collateral)	4 264 897
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivative contracts, SFTs and fiduciary assets)</b>	<b>4 264 897</b>
<b>Derivative contracts</b>		
4	Derivative contracts: market value	1 644
5	Derivative contracts: mark-to-market method	75
<b>11</b>	<b>Total derivative contracts</b>	<b>1 719</b>
<b>Other off-balance-sheet exposures</b>		
17	Off-balance sheet exposures at gross notional amount	227 468
18	(Adjustments for conversion to credit equivalent amounts)	-156 652
<b>19</b>	<b>Other off-balance-sheet exposures</b>	<b>70 816</b>
<b>Capital and total exposures</b>		
<b>20</b>	<b>Tier 1 capital</b>	<b>504 674</b>
<b>21</b>	<b>Total leverage ratio exposures</b>	<b>4 327 162</b>
<b>Leverage ratio</b>		
<b>22</b>	<b>Leverage ratio</b>	<b>11.7 %</b>
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>		
EU-23	Choice on transitional arrangements for the definition of the capital measure	14 941

Balance sheet exposures total (excluding derivative contracts, SFTs and exempted exposures)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivative contracts, SFTs and exempted exposures), of which:	4 264 897
EU-3	Banking book exposures, of which:	4 264 897
EU-4	Covered bonds	12 996
EU-5	Exposures treated as sovereigns	488 794
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	4 158
EU-7	Institutions	67 363
EU-8	Secured by mortgages of immovable properties	2 253 234
EU-9	Retail exposures	433 971
EU-10	Exposures to corporates	604 355
EU-11	Exposures in default	33 194
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	366 832

## Note 14 LEVERAGE RATIO

Disclosure of qualitative aspects of leverage ratio		
1	Description of the processes used to manage the risk of excessive leverage	The risk of excessive leverage of the amalgamation is assessed by frequent monitoring of the leverage ratio. No target level has been set for the leverage ratio in the amalgamation.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The leverage ratio decreased by 0.4 percentage points compared to the previous financial period. The decrease was driven by growth of the amalgamation's total exposures, primarily due to growth of exposures secured by immovable real estate and corporate exposures.



## Note 15 SHAREHOLDINGS NOT INCLUDED IN THE TRADING BOOK

31/12/2018

Share breakdown (EUR 1,000)	Market value	Balance sheet value
Listed shares	3 872	3 872
Unlisted shares	60 693	60 673
<b>Total</b>	<b>64 565</b>	<b>64 545</b>

Diversified distribution of shares (EUR 1,000)	
Listed shares	3 872
Necessary for operations	57 843
Shares in subsidiaries and participating interest	335
Other unlisted shares	2 495
<b>Total</b>	<b>64 545</b>

Capital gains and losses (EUR 1,000)	Gains	Losses	Total
Share/cooperative capital	235	-462	<b>-227</b>

Fair value reserve (EUR 1,000)	EUR	EUR
Fair value reserve balance on 1 January 2018 (gross)		8 242
IFRS 9 related transitional effects on 1 January 2018 (net)		-8 028
Adjusted fair value reserve balance on 1 January 2018 (gross)		214
Fair value increases	384	
Fair value decreases	-253	
Transferred from fair value reserve to the income statement	-	
Total changes in fair value reserve 1 January - 31 December 2018		131
<b>Fair value reserve balance on 31 December 2018 (gross)</b>		<b>345</b>

31/12/2017

Share breakdown (EUR 1,000)	Market value	Balance sheet value
Listed shares	3 926	3 926
Unlisted shares	60 452	60 431
<b>Total</b>	<b>64 378</b>	<b>64 357</b>

Diversified distribution of shares (EUR 1,000)	
Listed shares	3 926
Necessary for operations	56 811
Shares in subsidiaries and participating interest	335
Other unlisted shares	3 285
<b>Total</b>	<b>64 357</b>

Capital gains and losses (EUR 1,000)	Gains	Losses	Total
Share/cooperative capital	10 294	-499	<b>9 794</b>

Fair value reserve (EUR 1,000)	EUR	EUR
Fair value reserve balance on 1 January 2017 (gross)		9 129
Fair value increases	15 218	0
Fair value decreases	-6 786	0
Transferred from fair value reserve to the income statement	-9 319	0
Total changes in fair value reserve 1 January - 31 December 2017		-887
<b>Fair value reserve balance on 31 December 2017 (gross)</b>		<b>8 242</b>

## Note 16 REMUNERATION OF PERSONNEL

31/12/2018

Fixed and variable remuneration (EUR 1,000)

Employee group	Number of personnel		Fixed wages and salaries		Variable remuneration	
	2018	2017	2018	2017	2018	2017
Management	7	6	912	778	0	0
Risk-takers	94	102	9 958	8 273	364	174
Other personnel	625	610	21 622	22 095	1 085	970
<b>Total</b>	<b>726</b>	<b>718</b>	<b>32 493</b>	<b>31 147</b>	<b>1 449</b>	<b>1 144</b>

The amalgamation of POP Banks did not pay signing bonuses to risk-takers in 2018. Redundancy payments totaling EUR 151 thousand were paid to three risk-takers in 2018. Redundancy payments were defined to five risk-takers. The amalgamation of POP Banks has not paid compensation of over EUR 1 million in 2018 or such variable remunerations that should be delayed.

Other information regarding remuneration and remuneration to related parties is presented in Notes 3 and 40 of the consolidated financial statements.