FINANCIAL STATEMENTS

2015

The POP Bank Group's Board of Directors' Report and
Consolidated IFRS Financial Statements 31 December 2015

POP Pankki

The POP Bank Group's Board of Directors' Report and Consolidated IFRS Financial Statements 31 December 2015 is a translation of the original Finnish version "POP Pankki -ryhmän toimintakertomus ja yhdistelty IFRS-tilinpäätös 31.12.2015".

TABLE OF CONTENTS

The POP Bank Group's Board of Directors' report 2015

1. THE POP BANK GROUP AND AMALGAMATION OF POP BANKS

The POP Bank Group is a Finnish financial group that offers retail banking services to private customers, small companies and agricultural and forestry companies, as well as non-life insurance services to private customers. In addition to healthy and profitable business, the objectives of the cooperative-based the POP Bank Group emphasise the development of the customer experience.

The POP Bank Group refers to the new legal entity created in 2015, comprised of POP Banks and POP Bank Alliance Coop and the entities under their control. The POP Bank Group prepares IFRS financial statements. The most significant companies in the POP Bank Group engaged in customer business are:

- 26 member cooperative banks of POP Bank Alliance Coop that use the marketing name POP Bank
- Bonum Bank Ltd, which is the central credit institution of the POP Banks and a subsidiary of POP Bank Alliance Coop
- Finnish P&C Insurance Ltd, which uses the auxiliary business name POP Insurance

POP Banks and Bonum Bank Ltd are member credit institutions of the central institution of the amalgamation of POP Banks, POP Bank Alliance Coop. On 14 December 2015 POP Bank Alliance Coop was authorised by the Finnish Financial Supervisory Authority to function as the central institution of the amalgamation of deposit banks.

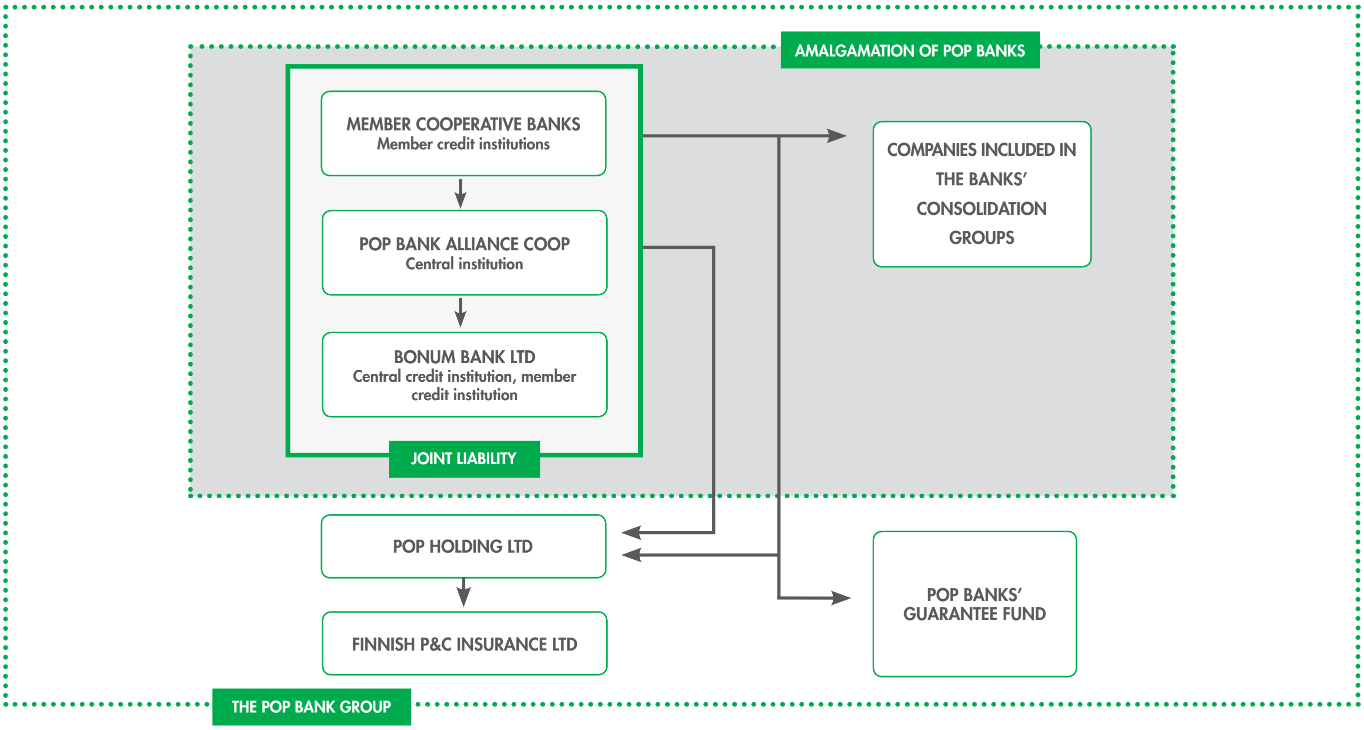
The amalgamation of POP Banks began operations on 31 December 2015. In accordance with the Act on the Amalgamation of Deposit Banks (24.6.2010/599) (hereinafter referred to as the "Amalgamation Act"), the central institution shall prepare the financial statements as a combination of the financial statements or the consolidated financial statements of the central institution and its member credit institutions in accordance with the International Financial Reporting Standards (IFRS).

The first consolidated financial statements of the POP Bank Group have been prepared as of the start date of the operations of the amalgamation of POP Banks, and it includes the closing date 31 December 2015. Additional financial information is also presented as notes to the official IFRS financial statements, covering IFRS data for the financial period 1 January–31 December 2015 and comparison period 1 January–31 December 2014.

A more detailed description of the structure of the POP Bank Group and the scope of the first IFRS financial statements is provided in Note 1 to the financial statements and a description of the transition of the POP Bank Group to the IFRS in Note 2.

The chart below presents the structure of the POP Bank Group and the entities included in the amalgamation and the scope of joint liability.

The POP Bank Group, amalgamation of POP Banks and joint liability



Previous financial bulletins issued before the amalgamation of POP Banks issued under the name the POP Bank Group are not comparable with the financial statements of the POP Bank Group issued after 31 December 2015. The previous financial bulletins of the POP Bank Group have been based exclusively on the combined financial statements of POP Banks, and they do not include the other group companies.

POP Bank Alliance Coop acts as the central institution responsible for group steering and supervision of the POP Bank Group in accordance with the Amalgamation Act.

Abbreviations and definitions

Member credit institution	A credit institution that is a member of the central institution, POP Bank Alliance Coop, includes the cooperative banks using the marketing name POP Bank and Bonum Bonum Bank Ltd, the central credit institution of POP Banks
Member cooperative bank, POP Bank	A cooperative bank that is a member of POP Bank Alliance Coop
Central institution	POP Bank Alliance Coop, the central institution of the amalgamation of deposit banks in accordance with the Amalgamation Act
Amalgamation of POP Banks	Amalgamation of deposit banks in accordance with the Amalgamation Act
Amalgamation Act	Act on the Amalgamation of Deposit Banks 24/6/2010/599

Background and operations of the POP Bank Group

The operating segments of the POP Bank Group are banking and insurance.

POP Banks are co-operative banks established in the early 1900s, which were organised into a bank group comprised of the member banks of POP Bank Alliance Coop and the POP Bank's guarantee fund in 1997–1998. In 2015, POP Bank Alliance Coop and its member credit institutions formed the amalgamation of POP Banks.

The new European bank legislation prepared in the 2010s did not acknowledge the operating model of the bank group formed by POP Bank Alliance Coop and its member cooperative banks, which made several forms of cooperation within the group more difficult. After assessing different structure options, POP Banks and POP Bank Alliance Coop decided in 2013 to form their own central credit institution, Bonum Bank Ltd, and the decisions concerning the establishment of the amalgamation of POP Banks were made in 2014 and 2015.

After the extraordinary cooperative meeting of POP Bank Alliance Coop decided on 19 December 2014 to make an amendment to the rules of POP Bank Alliance Coop to establish the amalgamation of POP Banks, the 26 member cooperative banks decided on the corresponding amendments to the bank's rules in spring 2015 and decided to join the amalgamation of POP Banks. Bonum Bank Ltd also became a member credit institution after it joined POP Bank Alliance Coop as its member.

The preparations for the amalgamation were an energy- and time-consuming project for both the POP Banks and POP Bank Alliance Coop. Some of the member banks did not join the amalgamation of POP Banks, leaving POP Bank Alliance Coop in early 2015. Eight banks left the bank group, but this did not have effects on the volumes of the individual POP Banks that continued as members of POP Bank Alliance Coop. The decrease in the group's volume increased the expenses of the individual POP Banks to a slight extent when there were fewer parties to divide the fixed expenses of the group functions. On the whole, the business and customer satisfaction of the POP Banks developed favourably during the financial year 2015.

Significant events that took place in the banking operations of the POP Bank Group during 2015 included:

- The payment transfer services of POP Banks' customers were transferred to Bonum Bank Ltd in February 2015.
- The issue of payment cards to POP Banks' customers and the related credit portfolio were transferred to Bonum Bank Ltd.
- The internal guidelines of the amalgamation of POP Banks were prepared in connection with the licence process related to the establishment of the amalgamation of POP Banks.
- POP Banks established five new branch offices.
- POP Banks launched a new mobile banking application.
- The European Banking Authority approved POP Share, an equity instrument aimed at the members of POP Banks, as the Common Equity Tier 1 instrument of POP Banks. Some of the POP Banks issued POP Shares in autumn 2015.
- Extensive strategy work was carried out in autumn 2015, and POP Banks approved the new strategy of the POP Bank Group in December 2015.

The strategy of the POP Bank Group focuses on promoting and developing a good customer experience across all channels. Digitalisation and process development create the prerequisites for profitable growth and further development of the customer experience.

Finnish P&C Insurance Ltd began its customer business operations in late 2012. The company offers the most common insurance policies to private customers: vehicle, home, boat, travel and accident insurance policies. The company focuses on private customers. The number of customers has increased to over 73,000 in three years. Still in its early phases, the company is still unprofitable. In 2015, its losses almost halved compared to the previous year, and earnings developed better than budgeted. The company's operations are based on the full-scale utilisation of digitalisation, and the company has already achieved its goal of being among the three biggest insurance companies in Finland in terms of new insurance policies sold online.

Insurance policies are sold under the auxiliary business name POP Insurance with the www.popvakuutus.fi brand, and the company also provides insurance services using the brand of another partner.

2. OPERATING ENVIRONMENT

POP Banks operate locally, focusing particularly on private customers, small companies and agriculture and forestry companies. In addition to the development of the national economy, the key environmental factors include general conditions in the banking sector, such as interest rate and special regulation on the sector.

The Finnish economy continued to develop modestly in 2015. The spending power of households developed poorly and the unemployment rate rose. Private persons' increasing financial difficulties were visible as an increase in the number of registered payment defaults. Housing sales was low and no major changes took place in the housing prices. Inflation was at a very low level and interest rates continued to decrease. Finnish exports failed in joining the growth of the slowly recovering Eurozone and, therefore, the GDP remained almost unchanged.

Consumers' uncertainty and weak development of spending power weakened the operating conditions of the service and retail sectors. The operating conditions of agriculture companies, on the other hand, were weakened by the continued sanctions against Russia. The low interest rates were among the few positive factors in the economy, supporting customers' ability to take care of their credit commitments. Decreasing fuel prices also improved the spending power of households, which will also benefit most companies.

3. THE POP BANK GROUP'S CUSTOMERS, BUSINESS OPERATIONS AND KEY INDICATORS

Customer accounts

POP Bank continued its triumph in surveys measuring customer satisfaction. EPSI Rating 2015 indicates that POP Bank again had the most satisfied bank customers in Finland. The survey was conducted simultaneously in several countries, and POP Bank was found to have the most satisfied bank customers in the Nordic countries. Moreover, POP Bank has repeatedly been commended for its customer service in Taloustutkimus Oy's National Customer Service Surveys and the Finnish Direct Marketing Association's Customer Index surveys.

At the end of the financial year 2015, POP Banks had 241.3 thousand customers and Finnish P&C Insurance Ltd had 73.1 thousand customers.

POP Banks have invested in personal customer service that is continuously developed. During the financial year 2015, POP Banks continued the development of customer value, offering customised services to their customers.

Improving the customer experience in electronic services is a significant target of development in the banking business. The development of the bank's electronic services receives solid background support from Finnish P&C Insurance Ltd, a member of the POP Bank Group, which is among the pioneers of the financial sector also internationally with its POP Insurance web shop. The electronic services offered by POP Insurance have been developed from the start to be comprehensible and easy to use from the customer's point of view. The continuous analysis and development of the operation of the web shop also plays a key role.

Finnish P&C Insurance Ltd does not have any fixed customer offices. Sales and customer service take place through electronic channels: the web, mobile and telephone. The functioning of the electronic service is proved by the 2.9 thousand new customers per month on average secured by Finnish P&C Insurance Ltd during the financial year 2015.

Business development

The first consolidated IFRS financial statements of the POP Bank Group have been prepared as of the start date of the operations of the amalgamation, and it includes the closing date 31 December 2015. Additional financial information is also presented as notes to the official IFRS financial statements, covering IFRS data for the financial period 1 January–31 December 2015 and comparison period 1 January–31 December 2014. Previously, the POP Bank Group's figures have only been published on POP Banks' financial statements.
The POP Bank Group's balance sheet totalled EUR 4,073.9 million (3,858.5) at the end of the financial year. Banking as-

sets amounted to EUR 4,081.8 million (3,862.5), an increase of 5.7% from the previous year, and insurance assets amounted to EUR 50.3 million (42.3), an increase of 18.9%.

The POP Bank Group's earnings before taxes amounted to EUR 12.9 million (12.8), an increase of over 1% from the previous year.

Profit before tax of the operating segments

(EUR 1,000)	2015	2014
Banking	21,464	22,203
Insurance	-5,226	-9,150

Banking earnings before taxes amounted to EUR 21.5 million (22.2). Earnings increased as the result of favourable development in commission income and decreased due to lower net investment income. An increase in the loan portfolio and deposits compensated for the negative effect of the continued decrease in market interest rates on net interest income, which increased by 0.8% from the previous year to EUR 61.6 million. Banking's net commission income increased by 8.7% and operating expenses by 2.9%. Net investment income decreased by EUR 4 million, other operating income increased by EUR 3.1 million and impairment losses on loans and other receivables increased by EUR 0.6 million.

Insurance figures result from the operations of Finnish P&C Insurance Ltd, a young growth company. The financial year 2015 was the third full calendar year of operation for Finnish P&C Insurance Ltd. The company's operations developed according plans during the financial years 2014 and 2015, and earnings for 2015 were better than budgeted. Insurance's losses for the financial year 2015 amounted to EUR -5.2 million (-9.2). Insurance premium revenue increased by 33.9% and claims incurred by 16.2%. In spite of the high volume growth, operating expenses decreased by 1.2%. Finnish P&C Insurance Ltd has an exceptionally high automation rate in the industry, which enables strong growth with a minor increase in operating expenses. Insurance is estimated to generate a positive result during the next two years.

The POP Bank Group's key indicators

(EUR 1,000)	2015*	2014*
Net sales	127,506	125,737
Net interest income	61,237	60,991
% of net sales	48.0%	48.5%
Earnings before tax	12,876	12,750
% of net sales	10.1%	10.1%
Total operating income	103,834	100,908
Total operating expenses	-80,474	-79,037
Cost to income ratio	78%	78%
Balance sheet total	4,073,900	3,858,523
Equity capital	425,982	394,543
Return on assets, ROA %	0.2%	0.2%
Return on equity, ROE %	2.2%	1.9%
Equity ratio	10.5%	10.2%
Common Equity Tier 1 capital ratio, (CET1) %	20.2%	19.1%
Capital adequacy ratio, (TC) %	20.8%	19.7%
Impairment losses on loans and other receivables	-4,961	-4,331
Number of personnel at end of period	695	672

** The figures are based on the additional financial information presented for the time preceding the start of operations of the amalgamation of POP Banks. More detailed information on the additional financial information is presented in Note 1 to the IFRS financial statements.*

4. BANKING BUSINESS

The Banking segment includes the member cooperative banks of POP Bank Alliance Coop (POP Banks) and their central credit institution, Bonum Bank Ltd.

Customer accounts

At the end of the 2015, POP Banks had 241.3 thousand customers (241.9). Private customers accounted for 84.0%, companies for 7.9% and agriculture and forestry customers for 4.6% of the customers.

At the end of the year, 84.5 thousand (84.1) of the customers were also members of POP Banks. During the financial year, some of the POP Banks issued new equity instruments, POP Shares, with the members of POP Banks subscribing for EUR 17.9 million of them during the financial year.

As cooperative companies, POP Banks consider the development of the customer experience a key issue. POP Banks have been at the top of independent customer satisfaction surveys and customer service surveys throughout the 2000s. The surveys received a new international benchmark during the year; POP Bank has the most satisfied bank customers in the Nordic countries (EPSI Rating autumn 2015 customer satisfaction surveys in the Nordic countries).

Business development

Banking assets totalled EUR 4,081.8 million (3,862.5), deposits EUR 3,347.2 million (3,251.2) and the loan portfolio EUR 3,029.0 million (2,939.9).

Banking earnings before taxes amounted to EUR 21.5 million (22.2) and earnings after taxes to EUR 17.6 million (17.0), an increase of 4.1% on the previous financial year. Earnings increased as the result of favourable development in commission income and decreased due to lower net investment income. The cost/income ratio was 0.73 (0.73).

Net operating income totalled EUR 98.5 million (96.6). An increase in the loan portfolio and deposits compensated for the negative effect of the continued decrease in market interest rates on net interest income, which increased by 0.8% from the previous year to EUR 61.6 million. Banking's net commission income increased by 8.7% to EUR 27.5 million (25.3). The biggest increases in commission income were related to mutual funds, deposit operations and payment transactions. Net trading income amounted to EUR 0.5 million (0.4) and net investment income decreased to EUR 3.8 million from the previous financial year's EUR 7.7 million.

Other operating expenses amounted to EUR 72.1 million (70.0). Personnel expenses amounted to EUR 29.0 million (28.5), an increase of 2.0%. Other operating expenses increased by 1.8% to EUR 38.8 million (38.2). Depreciation, amortisation and impairment of property, plant and equipment and intangible assets amounted to EUR 4.2 million (3.4).

Impairment losses on loans and other receivables were EUR 5.0 million (4.3). Impairment losses amounted to 0.16% (0.15) of the loan portfolio. Ratio of receivables more than 90 days overdue to loan and guarantee portfolio was 0.76% (0.96) of the loan portfolio.

5. INSURANCE BUSINESS

The Insurance segment includes Finnish P&C Insurance Ltd, which offers non-life insurance policies aimed at private customers. The insurance company offers typical non-life insurance products to private customers, mainly sold through electronic channels. Motor car insurance policies are additionally sold by car dealers and technical inspection stations acting as agents. Finnish P&C Insurance Ltd's insurance policies are sold under two different brands: www.popvakuutus.fi and www.saastopankinvakuutukset.fi. POP Insurance is an auxiliary business name of Finnish P&C Insurance Ltd.

Customer accounts

Finnish P&C Insurance Ltd began its customer business operations in late 2012. The company has grown strongly in three years. At the end of the financial year, the company had 73.1 thousand customers. During 2015, the company secured an average of 2.9 thousand new customers a month. According to customer surveys, nine out of ten customers recommend POP Insurance. Operating through electronic channels, the customer structure of the company lacks the oldest age segment. In other respects, the customer base is distributed according to the age structure of Finns, with a slight emphasis on the younger age segments.

Business development

Finnish P&C Insurance Ltd's business continued its strong growth. The company succeeded in simultaneously increasing its business volumes and improving the loss ratio by 13 percentage points from 94% to 81%.

Net income from Insurance increased by 278.8% from EUR 1.4 million to EUR 5.2 million. Insurance premium revenue increased by 33.9% from slightly under EUR 21.0 million to EUR 28.1 million. Claims incurred increased by 16.2% from EUR 19.7 million to EUR 22.9 million.

The most significant distribution partners were the POP Bank Group and Savings Banks Group. The banks both forward their own customers to the web shop and relay contact requests to the service centre of Finnish P&C Insurance Ltd. The company also invested in the car dealer and technical inspection channel by signing cooperation agreements with new partners.

The company has responded to the growth in business volumes mainly by automating processes and simplifying operating methods. Operating expenses decreased to EUR 10.4 million (10.5).

The earnings for the financial year 2015 were negative, EUR -5.2 million (-9.2). The owner has strengthened the company's equity capital and supported the strong growth of business operations during the year. The company seeks positive earnings for the financial year 2017 at the latest.

Key indicators

Key indicators (EUR million)	2015	2014
Operating profit or loss	-5.2	-9.1
Premiums written	30.4	24.6
Insurance premium revenue	28.1	21.0
Claims incurred	22.9	19.7
Capital adequacy ratio	56%	42%
Solvency ratio	44%	34%

Formation of the result

A key objective during the year was to improve the company's loss ratio by specifying pricing and risk selection further and developing the claim settlement processes. The loss ratio improved from 94% to 81%. The company invested significantly in automating its operating processes and digitalising its service processes. The operating expense ratio improved from 50% to 37%. Operations are estimated to generate a positive result during the next two years.

Net income from insurance

During 2015, Finnish P&C Insurance Ltd sold approximately 80.8 thousand (71.6) new insurance policies and premiums written totalled EUR 30.4 million (24.6). The insurance categories motor liability insurance and motor-vehicles account for approximately 90% of the premiums written. Accident and health, fire and other property and other direct insurance policies generate a total of 10% of premiums written.

Insurance premium revenue totalled EUR 28.1 million (21.0) at the end of the financial year. The growth compared to the previous year was 33.9%. Claims incurred totalled EUR 22.9 million (19.7), an increase of 16.2%. Claims incurred were comprised of claims paid, EUR 20.3 million (14.7), change in provisions for unpaid claims, EUR 2.5 million (5.0) and a decrease in the the change in provisions for unpaid claims ceded to reinsurers, EUR 0.1 million (0.0). No losses exceeding the retention limits of reinsurance for which a reinsurance provision would have been made to technical provisions became known during the financial year.

Operating expenses

Personnel expenses amounted to EUR 5.3 million (5.6), other operating expenses to EUR 3.7 million (3.7) and operating expenses totalled EUR 10.4 million (10.5).

Insurance solvency

At the end of the financial year, solvency margin was EUR 12.2 million (7.2) and the minimum solvency margin was EUR 5.5 million (4.4). The solvency margin exceeded the minimum amount by EUR 6.7 million (2.8).

The company's equalisation provisions were EUR 0 (0).

Solvency capital amounted to EUR 12.2 million (7.2). The company's capital is comprised of capital invested by the shareholders in the company. The target limit for adjusted solvency capital was EUR 7.2 million (5.9).

6. OTHER FUNCTIONS

Other functions include the POP Banks' guarantee fund, POP Holding Ltd, POP Bank Alliance Coop and other entities consolidated in the POP Bank Group and not included in the Banking and Insurance business segments. Other functions is not a reported segment in the POP Bank Group's IFRS financial statements.

POP Banks' guarantee fund is a voluntary guarantee fund pursuant to the Credit Institutions Act, the equity capital of which according to the separate financial statements was EUR 12.2 million (12.3) and balance sheet total EUR 12.2 million (12.3) at the end of the year. The shortfall of the guarantee fund for the financial year 2015 amounted to EUR 0.1 million. The guarantee fund did not collect contributions during the financial year 2015. The company's assets comprise almost exclusively mutual fund shares and bank deposits. The guarantee fund does not have personnel of its own. The guarantee fund has purchased the necessary services from POP Bank Alliance Coop. Member banks not included in the amalgamation of POP Banks hold a share of 21.7% of the POP Banks' guarantee fund.

The statutory purpose of the POP Banks' guarantee fund is to ensure the operating stability of its member deposit banks. The tasks of the guarantee fund have included an audit of the member bank and group controller functions. The guarantee fund can issue grants or grant loans to its member banks, but the POP Banks' guarantee fund has not had any need to subsidise its member banks in its history. In the future, the central institution of the amalgamation of POP Banks, POP Bank Alliance Coop, will take care of the duties for which the POP Banks' guarantee fund was responsible. The Board of Directors of the guarantee fund has decided to engage in preparations for the dissolution of the guarantee fund based on the agreement signed by the guarantee fund and its member banks on 18 December 2014. The guarantee fund's delegation has not yet made a decision on the dissolution of the guarantee fund.

The entities included in other functions are primarily real estate companies.

7. THE POP BANK GROUP'S RISK AND CAPITAL ADEQUACY MANAGEMENT AND RISK EXPOSURE

Principles and organisation of risk management

The purpose of the POP Bank Group's risk management is to ensure that all significant risks resulting from business activities are identified, assessed, measured and monitored on a regular basis and that they are proportionate to the risk-bearing capacity of the amalgamation and the individual member credit institution or company. The purpose of risk management is to ensure that an individual member credit institution does not take such high risk in its operations that it would result in material threat to the capital adequacy or solvency of the member credit institution, central institution or the entire amalgamation. The guidelines and decision-making concerning risks comply with sound and prudent business practices. Violations of the risk management principles are addressed in accordance with the agreed operating models.

The most significant risks associated with the operations of the POP Bank Group are credit risk, liquidity risk and interest income risk in the banking book and, in the insurance business, underwriting risk. The POP Bank Group's strategy outlines the Group's risk appetite. Business activities are carried out at a moderate risk level so that the risks can be managed in full. The companies included in the POP Bank Group independently carry the risks associated with their business.

As the central institution, POP Bank Alliance Coop supervises the sufficiency and functioning of the risk management system at the level of the member credit institutions and the amalgamation and is liable for the Group's risk and capital adequacy management in accordance with section 17 of the Amalgamation Act. The central institution issues binding instructions concerning risk and capital adequacy management, reliable governance and internal control to the member credit institutions to secure their solvency and capital adequacy.

The central institution supervises that the member credit institutions comply with laws, decrees, instructions and regulations issued by the authorities, their own rules and the Group's internal binding guidelines in their activities. The central institution has established a risk management function independent of the business functions that performs the risk control duties and a compliance function that supervises compliance with the regulations.

Risk management is an essential part of internal control. The purpose of internal control is to provide reasonable certainty of e.g. the achievement of objectives and goals, profitability and reliability of operations, appropriateness and efficiency of operations, compliance with laws and decrees and management of risks associated with operations. Internal control is carried out at all organisational levels within the POP Bank Group.

Risk and capital adequacy management is described in more detail in Note 4 to the financial statements. Furthermore, information concerning risks specified in the EU capital requirements regulation (EU 575/2013) (CRR) is presented in the Pillar III disclosures of the consolidated IFRS financial statements.

Banking risks

Credit risk

Banking's credit risk exposure remained stable and its risk level moderate. In spite of the challenging economic situation in the home market, the receivables overdue indicator were actually somewhat better than for the comparison year. The amount of both individually assessed and collectively assessed impairments remained close to the level of the comparison year.

The loan portfolio increased by 3.0% during the financial year to EUR 3,029.0 million (2,939.9). The amount of intermediated Aktia Real Estate Mortgage Bank's mortgage loans was EUR 203.1 million (271.7) at the end of the year. Most of the lending is associated with low-risk lending to private customers. Loans granted to private customers accounted for 64.1% (62.9) of the loan portfolio, companies for 16.8% (17.4) and agriculture entrepreneurs for 19.1% (19.6). Residential property-secured loans accounted for 63.0% (62.8) of the loan portfolio.

The amalgamation of POP Banks' receivables overdue for more than 90 days accounted for 0.76% (0.96) of the loan portfolio. The amalgamation's receivables overdue for over 30–90 days accounted for 1.53% (1.86) of the loan portfolio at the end of 2015.

Impairment losses on loans and receivables totalled EUR 16.9 million (16.3) at the end of the financial year 2015. Of these, individually assessed impairment losses totalled EUR 14.2 million (13.9) and collectively assessed impairment losses totalled EUR 2.8 million (2.4).

The amalgamation of POP Banks' industry and customer risks are diversified. At the end of 2015, the amalgamation did not have customer entities that would exceed the limit of a large exposure of 10% of the capital of the amalgamation in accordance with Article 392 of the EU Capital Requirements Regulation.

Liquidity risk

The Group's liquidity position remained strong during the financial year. The regulatory requirement for the liquidity of the member credit institutions, LCR (Liquidity Coverage Ratio), entered into force on 1 October 2015, at which time all credit institutions had to meet the regulatory requirement of a minimum of 60% liquidity coverage. As of the beginning of 2016, the requirement is 70%, increasing gradually to 100% by 1 January 2018. The amalgamation of POP Banks' LCR-eligible assets totalled EUR 434.3 million on 31 December 2015, of which 39.8% were cash and balance at a central bank, 88.5% high quality liquid assets and 11.5% other liquid assets. The LCR indicator of the amalgamation was 202% on 31 December 2015.

The amalgamation's central credit institution Bonum Bank Ltd supervises the intraday liquidity coverage. The Board of Directors of the central institution determines the need for liquidity, taking into account the liquidity risk appetite at the amalgamation level. The member credit institutions continuously monitor their liquidity and LCR indicator. The central institution monitors the LCR indicator at the amalgamation and member bank level.

Market risk

The amalgamation's key market risk is the interest rate risk in the banking book, which is monitored and limited using both present value risk and income 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 market risk of investment activities is limited at the amalgamation of POP Banks, the non-life insurance company and guarantee fund with regard to the allocation of asset categories, derivative contracts, currency risk and structured products. 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. Hedge effectiveness is verified as a continuous process, and the interest rate risks of the balance sheet and hedging instruments are separately monitored using both present value risk and income risk. No currency risk is taken in lending. A member credit institution may use structured products only with the consent of the risk control function.

Operational risks

Any materialisation of operational risks is minimised by continuous development of personnel and comprehensive operating instructions, as well as internal control measures, such as by segregating preparation, decision-making, implementation and control from each other as far as possible.

The operational risks associated with the key products, services, functions, processes and systems are identified in the assessment process concerning a new product or service carried out by the business function and reviewed by the risk control function. Moreover, the member credit institution carries out an annual self-assessment of operational risks. Part of the losses caused by operational risks are hedged through insurance. Risks caused by malfunctions of information systems are prepared for by continuity planning.

Insurance risks

Finnish P&C Insurance Ltd has now had its third full calendar year-long financial year in the insurance business. The key insurance risks during the financial year were linked to the development of the profitability of the business, and particularly to the development of pricing and customer selection and sufficient increase in business volumes, taking into account the point of view of profitability.

The key operational risks were still connected to the building of IT systems and controlled scaling and development of insurance business processes as the sales, customer and claim volumes have increased.
Operating online, data security risks are significant to the company and, therefore, the company strongly invests in controlling them. Investment activities have been protective and have not been associated with significant risks.

The Board of Directors annually approves the company's risk management plan. The risks and risk management are discussed in more detail in the notes to the financial statements.

Capital adequacy management

The purpose of capital adequacy management is to ensure the sufficient amount, type and efficient use of the capital of the amalgamation of POP Banks. Capital covers the material risks arising from the amalgamation's business strategy and plan and secures the uninterrupted operation of the amalgamation in case of unexpected losses. The goal is pursued through a documented and systematic capital adequacy management process that is integrally linked to the amalgamation's and member credit institutions' strategy process and business planning and management.

The member credit institutions conduct an extensive identification and evaluation of risks related to their operations and dimension their risk-bearing capacity to match the total amount of the risks. In order to secure its capital adequacy, the bank sets risk-based capital objectives and prepares a capital plan to achieve these objectives.

The own funds of the amalgamation of POP Banks is comprised of cooperative contributions, supplementary cooperative contributions, POP Shares, retained earnings and other non-restricted reserves. The EU's Capital Requirements Regulation No. 575/2013 does not acknowledge the supplementary cooperative contributions previously used by the member credit institution as an equity instrument. According to the new regulations, supplementary cooperative contributions are no longer items of the own funds of the member credit institutions. The Capital Requirements Regulation is applied as of 1 January 2014, but the application of the transitional regulations concerning supplementary cooperative contributions will change gradually. Some of the member credit institutions of the amalgamation began to issue a new equity instrument included in the own funds, POP Shares. A total of EUR 17.9 million of POP Shares were issued in 2015.

At the end of 2015, the capital adequacy of the amalgamation of POP Banks was at a good level. The amalgamation's capital adequacy ratio was 20.8% (19.7) and the ratio of Tier 1 capital to risk-weighted items was 20.2% (19.1). The amalgamation does not include the earnings for the financial year in the own funds.

The statutory minimum level of the capital adequacy ratio is 8% and of Tier 1 capital it is 4.5%. In addition to the 8% capital adequacy requirement, a fixed 2.5% additional capital requirement became applicable on 1 January 2015, as well as a variable additional capital requirement which the authorities can set at 0–2.5%, if necessary. For the time being, the Financial Supervisory Authority has not set a variable additional capital requirement for Finnish exposures, which almost exclusively comprise the credit and counterparty risk of the amalgamation's member credit institutions.

Summary of capital adequacy

(EUR 1,000)	2015	2014
Own funds		
Common Equity Tier 1 capital before deductions	461,632	438,966
Deductions from Common Equity Tier 1 capital	-6,089	-4,686
Total Common Equity Tier 1 capital (CET1)	**455,542**	**434,281**
Additional Tier 1 capital before deductions	10,545	8,068
Deductions from Additional Tier 1 capital	0	0
Additional Tier 1 capital (AT1)	**10,545**	**8,068**
Tier 1 capital (T1 = CET1 + AT1)	**466,087**	**442,349**
Tier 2 capital before deductions	3,164	4,199
Deductions from Tier 2 capital	0	0
Total Tier 2 capital (T2)	**3,164**	**4,199**
Total capital (TC = T1 + T2)	**469,251**	**446,548**
Total risk-weighted items	**180,228**	**181,547**
of which the share of credit risk	163,067	164,085
of which the share of credit valuation adjustment risk (CVA)	288	487
of which the share of market risk (exchange rate risk)	1,991	2,333
of which the share of operational risk	14,882	14,642
Fixed additional capital buffer according to the Act on Credit Institutions (2.5%)	**56,321**	**56,734**
Common Equity Tier 1 capital (CET1) in relation to risk-weighted items (%)	20.2%	19.1%
Tier 1 capital (T1) in relation to risk-weighted items (%)	20.7%	19.5%
Total Capital (TC) in relation to risk-weighted items (%)	20.8%	19.7%
Leverage ratio		
Tier 1 capital (T1)	466,087	442,349
Total exposures	4,283,948	4,009,672
Leverage ratio, %	10.9%	11.0%

8. DEPOSITOR AND INVESTOR PROTECTION

Provisions on deposit insurance are laid down in the Act on the Financial Stability Authority. The deposit insurance fund covers the eligible deposits of a depositor in a single deposit bank up to a maximum of EUR 100,000.

The deposit banks that are members of the amalgamation of deposit banks are considered a single deposit bank in terms of deposit insurance. Therefore, the deposit insurance concerning a depositor's deposits in all member credit institutions of the amalgamation of POP Banks (POP Banks and Bonum Bank Ltd) totals EUR 100,000. Furthermore, in accordance with the legislation on the investors' compensation fund, the member credit institutions of the amalgamation of POP Banks are considered a single bank in terms of investor protection.

9. GOVERNANCE OF POP BANK ALLIANCE COOP

The 26 member cooperative banks (POP Banks) and Bonum Bank Ltd are members of POP Bank Alliance Coop. The member cooperative banks exercise their statutory voting rights in the meeting of POP Bank Alliance Coop cooperative, which elects the Supervisory Board. In accordance with the rules, Bonum Bank Ltd has no voting rights in the cooperative meetings as the subsidiary of the Alliance.

In accordance with the rules, the Supervisory Board of POP Bank Alliance Coop consists of a minimum of three (3) and a maximum of thirty-four (34) members elected by the general meeting of the cooperative so that one member shall be elected from each member credit institution; however, not from a subsidiary of the central institution that acts as a member credit institution.

Until the general autumn meeting, the Supervisory Board had 15 members, and as of the autumn meeting, 26 members so that one member was elected from each member credit institution. Only the Chairman of the Board of Directors or Supervisory Board of a member credit institution can be elected as the Chairman or Vice Chairman of the Supervisory Board. The Chairman of the Supervisory Board was Hannu Saarimäki (Chairman of the Board of Keuruun Osuuspankki) and the Vice Chairman was Harri Takala (Chairman of the Board of Pohjanmaan Osuuspankki).

The Board of Directors of POP Bank Alliance Coop consists of a minimum of five (5) and a maximum of six (6) members elected by the Supervisory Board so that at least one member is elected from each cooperative region pursuant to the rules. A majority of the Board members shall be employed by a member credit institution. The term of office of the Board members is three years from the conclusion of the meeting that decided on the election of the Supervisory Board until the conclusion of the next Supervisory Board meeting that decides on the election. Of these members, annually the number closest to one-third resign based on the term of office.

The Board of Directors elects the Chairman and the Vice Chairman from among its number.

The following persons acted as members of the Board of Directors of POP Bank Alliance Coop:

Soile Pusa, Chairman (Siilinjärven Osuuspankki)
Ordinary member and Chairman of the Board of Directors as of 4 February 2015, deputy member until 4 February 2015

Petri Jaakkola, Vice Chairman (Lapuan Osuuspankki)
Vice Chairman as of 4 February 2015

Ari Heikkilä (Konneveden Osuuspankki)
member of the Board of Directors

Kirsi Pallas (Lammin Osuuspankki)
Vice Chairman of the Board until 4 February 2015,
member of the Board of Directors until 31 December 2015

Teemu Teljosuo (Kurikan Osuuspankki)
member of the Board of Directors as of 4 February 2015

Hannu Tuominiemi (Suupohjan Osuuspankki)
member of the Board of Directors

Chairman **Esa Simanainen** (Tuusniemen Osuuspankki) resigned from the Board of Directors on 30 January 2015. Soile Pusa was the personal deputy of Esa Simanainen until 4 February 2015.

Erkki Forsman (Honkajoen Osuuspankki) was a member of the Board of Directors until 4 February 2015, and his personal deputy until 4 February 2015 was Mika Mäenpää (Lavian Osuuspankki).

The general autumn meeting of POP Bank Alliance Coop on 26 November 2015 amended the rules of POP Bank Alliance Coop so that the Board members no longer have deputies. Until then, the following persons acted as deputies of the members of the Board of Directors:

Sanna Voutilainen, Soile Pusa's personal deputy
(Siilinjärven Osuuspankki) as of 4 February 2015

Päivi Peurala, Petri Jaakkola's personal deputy
(Tiistenjoen Osuuspankki)

Raili Turpeinen, Ari Heikkilä's personal deputy
(Lanneveden Osuuspankki)

Ilkka Harjunpää, Kirsi Pallas' personal deputy
(Kosken Osuuspankki)

Erkki Forsman, Teemu Teljosuo's personal deputy
(Honkajoen Osuuspankki) as of 4 February 2015

Mikael Zilliacus, Hannu Tuominiemi's personal deputy
(Suupohjan Osuuspankki)

The Managing Director of POP Bank Alliance Coop is **Heikki Suutala** and his deputy is **Timo Hulkko.**

POP Bank Alliance Coop's auditor is KPMG Oy Ab, Authorised Public Accountants, with **Johanna Gråsten**, Authorised Public Accountant, as the main auditor.

10. PERSONNEL AND REMUNERATION

Personnel

At the end of 2015, the POP Bank Group had 695 employees (672), of whom 555 (544) in banking, 96 (89) in non-life insurance and 44 (39) in other functions.

Remuneration

Remuneration scheme refers to the decisions, contracts, policies and procedures followed in rewarding the management and personnel.

Remuneration is divided into fixed and variable remuneration. Fixed remuneration refers to salaries tied to a specific period of time and variable remuneration refers to remuneration tied to the beneficiary's performance or financial factors. The variable remuneration includes both short and long-term remuneration. In short-term remuneration, the earning period is the calendar year and the reward is paid in cash.

At the POP Bank Group, variable remuneration is company-specific. The POP Bank Group does not have a uniform remuneration scheme. The remuneration schemes are based on the business strategy, objectives and values of each member credit institution or company, and they are aligned with the company's long-term interests. The remuneration schemes are in harmony with the bank's proper and effective risk management and risk-bearing capacity. Remuneration does not encourage risk-taking that would exceed the risk level defined on the basis of the risk-bearing capacity of the member credit institutions or the company or otherwise sustainable risk level.

The member credit institution- and company-specific remuneration schemes are based on EU legislation, national legislation and the regulations and guidelines issued by the Financial Supervisory Authority.

11. SOCIAL RESPONSIBILITY

Social responsibility is an integral part of the operations of the POP Bank Group of cooperative companies. The value of the POP Bank Group is to promote the well-being of the customer and the operating environment. The POP Bank Group implements this in all of its activities in the form of small everyday actions. Taking care of the healthy business and profitability of the Group's companies and their long-term development are also part of social responsibility. The POP Bank Group paid EUR 3.9 million (5.3) of taxes on its earnings and EUR 30.2 million (29.8) of salaries in 2015.

12. EVENTS AFTER THE CLOSING DATE

POP Banks sold all of the shares in its wholly-owned investment service company Optium Oy to UB Asset Management Ltd on 8 February 2016. The share transaction will not have a significant effect on the profit for 2016.

13. OUTLOOK FOR 2016

In 2016, the operations of the POP Bank Group will emphasise the launching of projects related to the implementation of the new strategy approved in December 2015, developing the policies of the amalgamation of POP Banks that started operations at the turn of the year, launching wholesale funding and maintaining the favourable growth rate and profitability development of the non-life insurance company.

Individual events considered to be financially significant that are expected to take place in 2016 are the refund of the cooperative capital of POP Bank Alliance Coop to the member banks that resigned form the Alliance in 2015 and dissolving the guarantee fund of POP Banks.

Authorised by the shareholders of the company, Visa Europe's Board of Directors has agreed on the selling of the company to the American Visa Inc. company. The approval of the authorities is required before this can be realised. The realisation of the sale is expected to be confirmed in the second quarter of 2016. Due to the ownership structure of Visa Europe, the capital gain to the POP Bank Group cannot be reliably estimated. Of the POP Bank Group, Visa Europe's members include Bonum Bank Ltd, the issuer of the payment cards of POP Banks (Principal Member) and POP Bank Alliance Coop (Associate Member).

The development of the economy involves a number of uncertainties in Finland and Europe. Interest rates are expected to remain at a low level, which makes it more difficult to increase the net interest income but makes it easier for the customers to service their loans. Digitalisation will increase efficiency and make competition tighter. Shadow banking is gradually taking ground, taking away some of the growht in the financial sector from conventional banks. At the same time, the continuously increasing number of regulations with bank or insurance licences burdens the industry's IT system expenses and other expenses related to the implementation of the regulations.

In the challenging environment, the POP Bank Group plans to achieve increasing earnings in the banking and insurance businesses while developing its good customer satisfaction further in 2016.

Additional information:

Managing Director Heikki Suutala, tel. +358 500 661431
and Director Timo Hulkko, tel. +358 500 894008

FORMULAS FOR KEY FIGURES

Net sales

Interest income, commission income, net trading income, net income from non-life insurance, other operating income, net income from hedge accounting

Total operating income

Net interest income, net commissions and fees, net trading income, net investment income, net income from non-life insurance, other operating income, net income from hedge accounting

Total operating expenses

Personnel expenses, other operating expenses (excluding amortisation)

Cost-income ratio, %

$$\frac{\textit{Total operating expenses}}{\textit{Total operating income}} \cdot 100$$

Return on equity (ROE)

$$\frac{\textit{Operating profit (loss) - Income taxes}}{\textit{Equity capital and minority interest + accumulated appropriations less deferred tax liabilities (average of the beginning and end of year)}} \cdot 100$$

Return on assets (ROA)

$$\frac{\textit{Operating profit (loss) - Income taxes}}{\textit{Balance sheet total (average of the beginning and end of year)}} \cdot 100$$

Equity ratio, %

$$\frac{\textit{Equity capital and minority interest + accumulated appropriations less deferred tax liabilities}}{\textit{Balance sheet total}} \cdot 100$$

Common Equity Tier 1 capital ratio, % (CET1)

$$\frac{\textit{Common Equity Tier 1 capital (CET1)}}{\textit{Total minimum capital requirement}} \cdot 100$$

Capital adequacy ratio, (TC) %

$$\frac{\textit{Total capital (TC)}}{\textit{Total minimum capital requirement}} \cdot 100$$

The POP Bank Group Financial Statements 31 December 2015

The POP Bank Group Balance Sheet

(EUR 1,000)	Note	31 Dec. 2015
Assets		
Liquid assets	7	172,899
Financial assets at fair value through profit or loss	8	3,383
Loans and receivables from credit institutions	9	129,327
Loans and receivables from customers	9	3,013,972
Derivative contracts	10	5,356
Investment assets	11	637,308
Non-life insurance assets	12	37,610
Intangible assets	13	15,839
Property, plant and equipment	14	41,224
Other assets	15	13,582
Tax assets	16	3,401
Total assets		**4,073,900**
Liabilities		
Liabilities to credit institutions	17	112,783
Liabilities to customers	17	3,342,813
Non-life insurance liabilities	18	27,567
Debt securities issued to the public	19	24,188
Supplementary cooperative capital	20	58,231
Other liabilities	21	57,056
Tax liabilities	16	25,281
Total liabilities		**3,647,918**
Equity capital		
Cooperative capital		
Cooperative contributions	22	8,904
POP Shares	22	17,904
Total cooperative capital		**26,809**
Reserves	22	156,081
Retained earnings	22	239,831
Total equity attributable to the owners of the POP Bank Group		**422,721**
Non-controlling interests	29	3,261
Total equity capital		**425,982**
Total liabilities and equity capital		**4,073,900**

Notes concerning the preparation of the financial statements

NOTE 1

The POP Bank Group and the scope of the first IFRS Financial Statements

NOTE 2

The POP Bank Group's accounting policies under IFRS

NOTE 3

Governance and management

NOTE 4

Risk and capital adequacy management at the POP Bank Group

NOTE 1: The POP Bank Group and the scope of the first IFRS Financial Statements

1. THE POP BANK GROUP

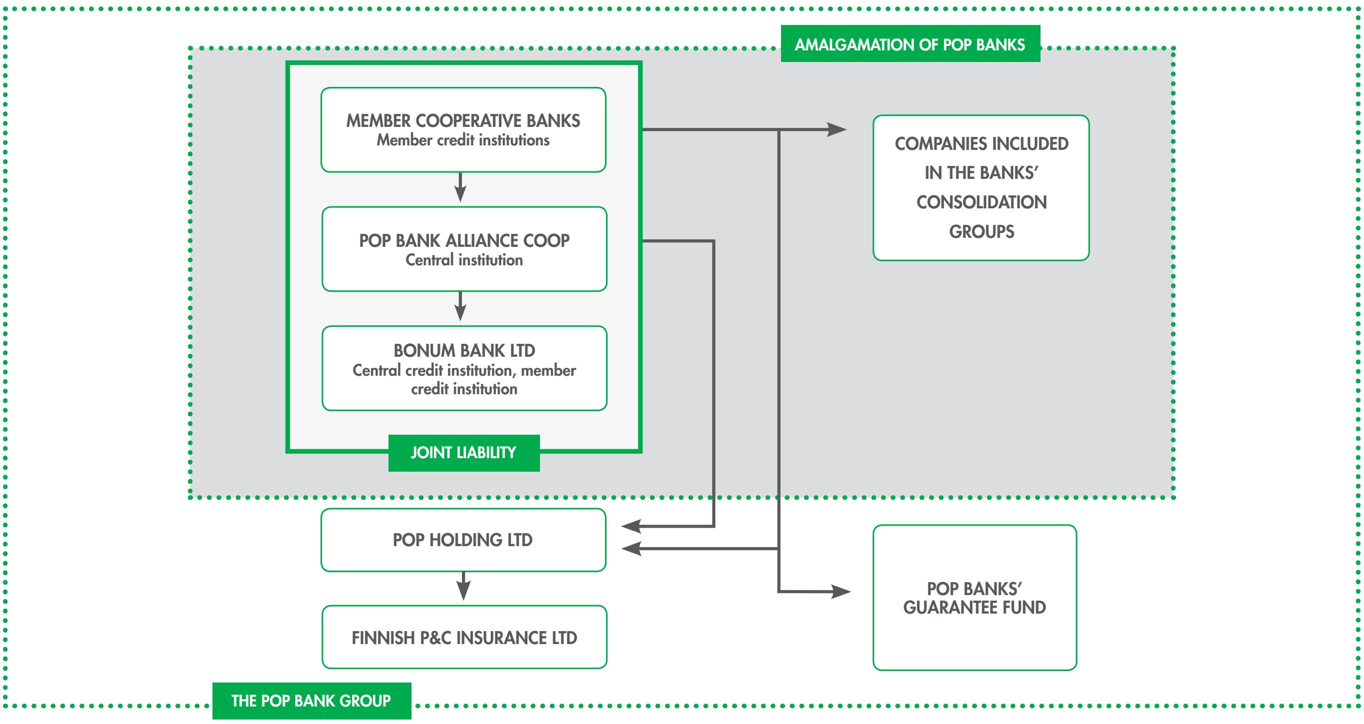
The POP Bank Group (hereinafter also referred to as the "Group") is a financial group comprising POP Banks and POP Bank Alliance Coop and their subsidiaries and jointly controlled entities that operates in Finland. POP Banks are independent, regionally and locally operating cooperative banks. POP Bank Alliance Coop functions as the central institution of the Group. The services of the POP Bank Group cover payment, card, saving, investing and financing services for private customers, small companies and agricultural and forestry companies. In addition to retail banking services, the Group offers non-life insurance services to private customers.

The member credit institutions of POP Bank Alliance Coop are the 26 cooperative banks and the central credit institution of the member cooperative banks, Bonum Bank Ltd. The amalgamation of POP Banks is a legal entity referred to in the Act on the Amalgamation of Deposit Banks (599/2010, hereinafter "the Amalgamation Act") in which the member credit institutions and the central institution are jointly liable for each other's debts and commitments. The amalgamation of POP Banks is formed by the central institution POP Bank Alliance Coop, its member credit institutions, the companies included in their consolidation groups and those credit institutions, financial institutions and service companies in which entities included in the amalgamation jointly hold over 50% of the votes. The companies included in the consolidation groups of the member credit institutions are primarily real estate companies.

The POP Bank Group also includes other entities besides the entities included in the amalgamation of POP Banks. The most significant entities that do not belong to the POP Bank Group are POP Holding Ltd, its wholly-owned subsidiary Finnish P&C Insurance Ltd and POP Banks' guarantee fund, which are not in the scope of joint liability. The POP Bank Group does not form a group of companies referred to in the Accounting Act (1336/1997) or a consolidation group referred to in the Act on Credit Institutions (610/2014). POP Bank Alliance Coop or its member cooperative banks do not exercise control pursuant to IFRS accounting standards on each other, and therefore no parent company can be determined for the Group. In accordance with the Amalgamation Act, the Board of Directors has specified the Group's accounting policies suitable for this structure to the extent that the IFRS accounting standards do not acknowledge the Group's structure. The accounting policies that include a description of the technical parent company consisting of the member cooperative banks are presented in Note 2. The member cooperative banks and other Group companies consolidated in the IFRS financial statements included in the technical parent company are listed in Note 29.

The chart below illustrates the structure of the POP Bank Group and the entities included in the amalgamation as well as the scope of joint liability.

The POP Bank Group, amalgamation of POP Banks and joint liability



POP Bank Alliance Coop acts as the central institution responsible for group steering and supervision of the POP Bank Group in accordance with the Amalgamation Act. POP Bank Alliance Coop's registered office is Helsinki and its address is Hevosenkenkä 3, FI-02600 Espoo, Finland.

POP Bank Alliance Coop has prepared the POP Bank Group's consolidated IFRS financial statements in accordance with the Act on the Amalgamation of Deposit Banks. The Board of Directors of POP Bank Alliance Coop accepted the report and consolidated financial statements on 29 February 2016. The financial statements will be presented to the general meeting of POP Bank Alliance Coop cooperative on 21 April 2016.

Copies of the financial statements of the POP Bank Group are available from the office of the central institution, address Hevosenkenkä 3, FI-02600 Espoo, Finland, and online at www.poppankki.fi.

2. THE SCOPE OF THE FIRST CONSOLIDATED FINANCIAL STATEMENTS OF THE POP BANK GROUP

2.1 The POP Bank Group's IFRS financial statements

On 14 December 2015 POP Bank Alliance Coop was authorised by the Finnish Financial Supervisory Authority to function as the central institution of the amalgamation of deposit banks. The amalgamation of POP Banks began operations on 31 December 2015. In accordance with the Amalgamation Act, the central institution shall prepare the financial statements as a combination of the financial statements of the central institution and its member credit institutions or the group financial statements in accordance with the International Financial Reporting Standards (IFRS). The first consolidated financial statements of the POP Bank Group have been prepared as of the start date of the operations of the amalgamation, and it includes the closing date 31 December 2015. The financial statements include the POP Bank Group's balance sheet and the disclosures presented as notes to the balance sheet, accounting policies and other notes. Additional financial information is also presented as notes to the official IFRS financial statements, covering IFRS data for the financial period 1 January–31 December 2015 and comparison period 1 January–31 December 2014.

Because the POP Bank Group is a new legal entity, the Group has not previously prepared consolidated financial statements. The Group's consolidated IFRS financial statements have been prepared by consolidating the separate financial statements of the companies included in the POP Bank Group prepared pursuant to the national accounting and financial statement standards so that the inter-company items have been eliminated and the balance sheet and income statement items have been adjusted to correspond to IFRS. The member cooperative banks have applied IAS 39 Financial Instruments: Recognition and Measurement in accordance with the Financial Supervisory Authority's regulation 1/2013 *on the accounting, financial statement and Board of Directors' report in the financial sector*. Bonum Bank Ltd has adopted IFRS in the financial statements prepared for the financial year 1 January–31 December 2015.

More detailed information about the IFRS transition of the POP Bank Group is presented in Note 2 and Note 32.

2.2 Formation of the amalgamation of POP Banks

The decisions concerning the establishment of the amalgamation of POP Banks were preceded by strategy work with several background investigations by POP Bank Alliance Coop and its member cooperative banks on the Group structure. The new EU-level regulations did not acknowledge the previous Group structure and practically made it impossible to continue several cooperation structures that had worked well. Among other things, there were no longer prerequisites for continuing the intermediation of housing loans of Aktia Real Estate Mortgage Bank owned by POP Banks jointly with Aktia Bank Plc and Savings Banks, nor for Aktia Bank Plc continuing as the central credit institution of POP Banks and Savings Banks.

The extraordinary cooperative meeting of POP Bank Alliance Coop decided on 26 June 2013 to establish its own central credit institution for POP Banks. At the same time, the meeting approved a share transaction by which POP Bank Alliance Coop, already a partial owner of ACH Finland Ltd, purchased all of the shares of the company from the other banks that were its shareholders. ACH Finland Ltd offered payment clearing services to all of the banks that used Aktia Bank Plc's central credit institution service. ACH Finland Oy, formerly the payment institution of three bank groups, was awarded a deposit bank licence in December 2013 and changed its name to Bonum Bank Ltd at the same time. Bonum Bank Ltd started its operations on 4 August 2014. Following the preparations for the establishment of central credit institution services and the transfer of the three bank groups' services, the central credit institution services of POP Banks were transferred to Bonum Bank Ltd in February 2015.

Following investigations concerning the structure, the extraordinary cooperative meeting of POP Bank Alliance Coop decided on 11 June 2014 on a strategic objective to establish an amalgamation of POP Banks, with POP Bank Alliance Coop acting as its central institution. The amendment to the rules related to changing POP Bank Alliance Coop into the central institution was approved by the extraordinary cooperative meeting of POP Bank Alliance Coop on 19 December 2014. The precondition for the amendment was that member cooperative banks representing a minimum of 70% of the combined balance sheet totals of the member cooperative banks decide in their own cooperative meetings to amend their rules to comply with the Amalgamation Act and join the amalgamation of the POP Banks. The Board of Directors of POP Bank Alliance Coop stated in its meeting on 7 April 2015 that the preconditions for the amendment to the rules have been fulfilled. During early 2015, 26 member cooperative banks decided to join the amalgamation of POP Banks and eight member cooperative banks decided to resign from POP Bank Alliance Coop. The POP Banks that joined the amalgamation of POP Banks and continue as member cooperative banks of POP Bank Alliance Coop account for 78.1% of the combined balance sheet total of the cooperative banks that were formerly members of the POP Bank Group (balance sheets at 31 December 2013). Bonum Bank Ltd joined the central institution in December 2015.

POP Bank Alliance Coop submitted its application for a licence to act as the central institution of the amalgamation to the Financial Supervisory Authority on 20 July 2015 and the Financial Supervisory Authority awarded the licence on 14 December 2015. The amalgamation of POP Banks began operations on 31 December 2015.

2.3 Additional financial information presented as notes

POP Banks have acted as a separate bank group since 1997. The POP Bank Group has consisted of POP Bank Alliance Coop and the POP Banks' guarantee fund and their member cooperative banks as well as the subsequently established central credit institution, Bonum Bank Ltd.

The purpose of POP Bank Alliance Coop has been to act as the central institution of its member banks, equally promoting their development and cooperation and representing them and supervising their joint interests by influencing the general preconditions and legislation of the banking sector. The joint decision-making, decision-making principles, bindingness of the decisions and the decision-making order have been based on a separate group agreement signed in 2003, which expired when POP Bank Alliance Coop was awarded the licence to act as the central institution of the amalgamation.

POP Bank Alliance Coop has prepared the in-principle decisions concerning the operation of POP Banks shared by all member banks. The special purpose of POP Bank Alliance Coop has been to organise, procure and provide its members the basic services they need. These services include information system and central credit institution services, accounting and audit services, financial sector product company services and other services necessary for the operation of the members. POP Bank Alliance Coop has represented the banks in e.g. negotiations concerning joint IT investments and related decisions and framework agreements made with partners. The additional financial information included in the IFRS financial statements of the POP Bank Group has been prepared for the period preceding the formation of the amalgamation of POP Banks, at which time POP Banks acted as a single bank group but were not legally liable for each other's commitments. The purpose of the additional financial information is to provide the market with useful information so that credit rating agencies, investors and other stakeholders can obtain a correct and sufficient view of the profitability of the operations of the POP Bank Group, formation of earnings and the financial position of the Group.

Note 48 to the consolidated financial statements of the POP Bank Group represents the POP Bank Group's consolidated financial statements for the financial year 1 January–31 December 2015 and comparison figures for the previous financial year, 1 January–31 December 2014. The information presented in the additional financial information has been prepared in accordance with the accounting policies presented in Note 2. The Group adopted IFRS on 1 January 2014.

The additional financial information has been prepared by consolidating the audited separate financial statements of the companies and entities included in the POP Bank Group. The information presented as additional financial information has been prepared under the "combined financial statement" principle, in which the historical additional financial information of the companies and entities have been combined into a single entity and eliminations of intra-group items and adjustments due to the application of IFRS have been made. The preparation of the consolidated financial statements as a single entity is based on the "common management" concept as the POP Bank Group has operated under joint management, applying joint financial statement processes in spite of the Group not being under joint control. The balance sheet of the official financial statements at 31 December 2015 corresponds to the balance sheet at 31 December 2015 presented in the additional financial information.

The additional financial information also includes statements of the effects of the transition to IFRS and the differences between the financial statements prepared in accordance with the Finnish Accounting Act and the IFRS financial statements.

NOTE 2: The POP Bank Group's accounting policies under IFRS

1. GENERAL

The consolidated financial statements of the POP Bank Group (hereinafter also referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) approved in the EU and the related interpretations (IFRIC). The applicable Finnish accounting and corporate legislation and regulatory requirements have also been taken into account when preparing the notes to the financial statements. The obligation of the POP Bank Group to prepare financial statements in accordance with IFRS is based on the Act on the Amalgamation of Deposit Banks (599/2010; hereinafter referred to as "the Amalgamation Act").

The figures in the POP Bank Group's consolidated financial statements are in thousand euros unless otherwise indicated. The figures in the notes are rounded, whereby the sum total of individual figures may deviate from the sum total presented in a table or calculation. Assets and liabilities denominated in currencies other than euro have been translated into euro at the exchange rate of the balance sheet date. Exchange rate differences resulting from measurement have been recognised in net investment income in the income statement. Exchange rate differences resulting from the non-life insurance business have been recognised in net income from non-life insurance. The operating currency of all of the companies belonging to the POP Bank Group is euro.

The consolidated financial statements of the POP Bank Group are based on original cost, with the exception of financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets and the hedged items of fair value hedges (with regard to hedged risk) and hedge instruments hedging fair value or cash flow, which are measured at fair value. The POP Bank Group presents the Pillar 3 capital adequacy information in accordance with the EU's Capital Requirements Regulation (575/2013) in the Notes to the financial statements.

2. CONSOLIDATION PRINCIPLES

2.1 Technical parent company

In accordance with the Amalgamation Act, the consolidated financial statements of the POP Bank Group shall be prepared as a combination of the financial statements or consolidated financial statements of the central institution POP Bank Alliance Coop and its member credit institutions. The consolidated financial statements also include entities in which the entities referred to above have joint control.

POP Bank Alliance Coop and its member cooperative banks do not exercise control over each other, and therefore no parent company can be determined for the POP Bank Group. In the IFRS financial statements, a "technical parent" company has been formed for the POP Bank Group from the member cooperative banks. The member cooperative banks and the central institution have individually or jointly control over the other entities combined in the Group's IFRS financial statements. Within the technical parent company, intra-group holdings, transactions, receivables and liabilities, distribution of profit and margins are eliminated. Cooperative capital comprises such cooperative contributions paid by members of cooperative banks which the member banks have an unconditional right to refuse the redemption. The rules of the member cooperative banks were amended in 2015 so that a cooperative bank has an unconditional right to refuse the refund of cooperative contributions. More detailed information about the amendment to the rules and its effect on the classification of cooperative capital as equity capital is presented in Note 22.

2.2 Subsidiaries and joint arrangements

The POP Bank Group's financial statements include the financial statements of the technical parent company and its subsidiaries. Companies over which the Group exercises control are considered to be subsidiaries. The POP Bank Group has control over an entity if it has control over the company and is exposed, or has rights to, the variable returns of the company and the ability to affect those returns through its power over the company. The Group's control is based on voting rights.

The POP Bank Group's intra-group holdings have been eliminated using the acquisition method. All intra-group transactions, receivables and liabilities, unrealised earnings and distribution of profit are eliminated in the Group's consolidated financial statements.

The POP Bank Group has utilised the exemptions allowed by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to first-time adopters not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that have taken place before 1 January 2014. The Group has not acquired subsidiaries after 1 January 2014.

A joint operation is a joint arrangement over which two or more parties exercise joint control and have rights concerning assets related to the arrangement and obligations related to liabilities. Mutual real estate companies are consolidated in the Group's financial statements as joint operations. Their income statement items, assets and liabilities are combined in accordance with the Group's holding.

2.3 Non-controlling interests

The POP Bank Group's equity capital, earnings and other items of comprehensive income attributable to non-controlling interests are presented as separate items in the Group's income statement, statement of comprehensive income and balance sheet. The share of earnings and comprehensive income is attributed to non-controlling interests even if it would lead to the non-controlling interests' share becoming negative. The share of non-controlling interests is presented as part of equity capital on the balance sheet.

The portion of the POP Bank Group's equity capital, which is subject to an irrevocable commitment to refund to non-controlling interests, is not presented in the balance sheet as part of equity capital. The commitments related to the refund of capital are presented under other liabilities in the balance sheet. The treatment of the financial rights of the banks that have resigned from POP Bank Alliance Coop is presented in more detail in section 12.1. Presentation of the financial rights of the banks that have resigned from POP Bank Alliance Coop.

3. FINANCIAL INSTRUMENTS

3.1 Classification and recognition

Financial assets and financial liabilities are classified on initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* into the following measurement categories:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Investments held to maturity
- Loans and receivables
- Financial liabilities at fair value through profit or loss
- Other financial liabilities

The recognition of financial instruments in the POP Bank Group's balance sheet is not dependent on the categorisation presented in the notes for measurement. The division into measurement categories of financial assets and financial liabilities recognised in the balance sheet is presented in Note 6. Purchases and sales of financial instruments are recognised on the transaction date. Loans granted are recognised in the balance sheet on the date when the customer draws down the loan. Instruments issued are recognised in the balance sheet at the latest on the date when the customer makes the subscription or at the latest at the end of the subscription period.

On initial recognition, all financial assets and financial liabilities are recognised at fair value. Transaction costs related to financial assets and financial liabilities at fair value through profit or loss are recognised on the date of acquisition. The transaction costs of other financial instruments are included in the acquisition cost.

Financial assets and financial liabilities are offset in the balance sheet if the POP Bank Group currently has a legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and it has the intention and ability to settle the asset and liability on a net basis. The POP Bank Group has not offset the financial assets and financial liabilities on the balance sheet.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights have been transferred to another party so that substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when the related obligations have been fulfilled and they have been extinguished.

Financial assets at fair value through profit or loss

Financial instruments at fair value through profit or loss include structured bonds and investments that include embedded derivative contracts. The value change is recognised directly in the income statement.

Available-for-sale financial assets

Debt securities, shares and participations which are not recognised at fair value through profit or loss and that may be sold before their maturity are recognised in available-for-sale financial assets. Insurance investments are classified as available-for-sale financial assets. Available-for-sale financial assets are measured at fair value, and unrealised value changes are recognised in other comprehensive income. However, unlisted equity financial assets are valued at acquisition cost or at acquisition cost less impairment because their fair value cannot be reliably determined. Change in value is reclassified from other comprehensive income to the income statement into net investment income upon transfer or impairment. The value change of insurance investments is recognised in net investment income.

Held-to-maturity investments

Held-to-maturity financial assets include debt securities whose payments are fixed or determinable, which mature on a specified date and which can and are intended to be held hold to maturity. Held-to-maturity investments are measured at amortised cost. The difference between acquisition cost and nominal price is recognised as interest income or decrease of interest income.

In the financial year 2015, the POP Bank Group has reclassified investments held to maturity into available-for-sale financial assets. Because of the reclassification, the POP Bank Group cannot classify investments into investments held to maturity in the next two financial years. The reclassification was a result of the change in Bonum Bank Ltd's investment policy that is associated with the bank's capital adequacy management and the adjustment of its investment position to match the expected changes in the business volume.

Loans and receivables

Receivables from credit institutions as well as loans and advances to the public and central government are recognised as loans and receivables. Loans and receivables are recognised at amortised cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of derivative contracts under liabilities related to hedge accounting. The POP Bank Group did not have derivative contracts under liabilities on the closing date.

Other financial liabilities

Liabilities to credit institutions, liabilities to the public and general government and debt securities to the public are recognised as other financial liabilities. Other financial liabilities are included in the balance sheet at amortised cost with the exception of derivative contracts.

3.2 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.

3.3 Derivative contracts and hedge accounting

The POP Bank Group can hedge interest rate risk by applying fair value or cash flow hedging. Derivative contracts are not made for trading purposes. The connection between hedging derivative contracts and hedged instruments (hedging relationship) and the effectiveness of hedging are documented. The Group applies the EU-approved "carve-out" model of IAS 39 hedge accounting to fixed rate borrowings, which makes it possible for assets and liabilities with a similar risk profile to be combined for hedging ("macro hedging"), making it possible to include deposits in the scope of hedging. The aim is to stabilise net interest income and to neutralise any changes in the fair value of assets and liabilities.

Derivative contracts are measured at fair value, and value changes are recognised through profit or loss or in other comprehensive income.

Fair value hedging

Fair value hedges hedge against fair value changes of fixed-rate lending. When hedging fair value, the hedged item is also measured at fair value during hedging even if it would otherwise be measured at amortised cost. A change in the hedged item's fair value is recognised in the balance sheet as an adjustment to the balance sheet item and in the income statement under "Net trading income". Interest on hedging derivatives is recorded as an adjustment to interest expense and measurement gains under “Net trading income”.

Cash flow hedging

A cash flow hedge is a hedge of the exposure to the variability attributable to future interest flows associated with variable-rate lending. The effective portion of changes in the fair value of derivative contracts which are documented as cash flow hedges is recognised in other comprehensive income, adjusted for deferred tax. Any ineffective portion of changes in the fair value is recognised under “Net trading income” in the income statement. Interest on hedging derivatives is presented under “Net interest income”.

Fair value changes recognised in equity as a result of the measurement of a hedging instrument are recognised through profit or loss as an adjustment to cash flows as the hedged cash flow is recognised. In cash flow hedging, the hedged item is not measured at fair value.

The POP Bank Group did not have cash flow hedges on the closing date.

3.4 Impairment losses on financial assets

Impairment losses on financial assets other than assets measured at fair value through profit or loss are recognised in the income statement if there is objective evidence of impairment. Evaluation of objective evidence takes place at the end of each reporting period.

Available-for-sale financial assets

Objective evidence of an impairment loss on available-for-sale financial assets includes significant financial difficulties of the issuer or debtor, breach of contract terms, issuer's or debtor's bankruptcy or other reorganisation becoming probable, negative changes in the operating environment of the issuer or debtor or the disappearance of an active market for a financial asset. If there is objective evidence of impairment loss of a financial asset at the end of the reporting period, impairment testing is performed on the asset.

In addition, 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 and results in the recognition of impairment losses. The Board of Directors of POP Bank Alliance Coop has determined that a decline in the fair value of an investment in an equity instrument 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. Impairment loss is recognised as the difference between the acquisition cost of the equity instrument and its fair value at the reporting date less any earlier impairment losses on that item which have been recognised in the income statement. Impairment loss is recognised in the income statement under “Net investment income”. Impairment losses on an investment in an equity instrument which is classified as available-for-sale are not reversed through profit or loss; instead, the subsequent change in value is recognised in other comprehensive income.

The impairment of an available-for-sale debt instrument is determined mainly as the difference between its acquisition cost and the present value of future cash flows from the instrument. A decrease in fair value resulting from an increase in a risk-free market interest rate does not lead to recognition of impairment loss. Impairment loss is recognised in the income statement under “Net investment income”. A decrease in impairment loss related to an event occurring after the recognition of impairment loss is recognised through profit and loss.

Held-to-maturity investments

If objective evidence is obtained at the end of the reporting period that the value of a note or bond classified as held to maturity has decreased, it is tested for impairment. The amount of impairment loss is the difference between the asset's acquisition cost and the present value of future cash flows from the instrument. Impairment loss on investments held to maturity is recognised in net investment income.

The POP Bank Group did not have held-to-maturity investments on the closing date.

Loans and receivables

Impairment losses on loans and receivables are assessed on an individual basis if the debtor's total exposure is significant. In other respects, impairment on receivables is assessed on a collective basis for groups of similar receivables.

Individual impairment is recognised when there is objective evidence that the loan or receivable cannot be collected in accordance with the contract. Objective evidence of impairment on a receivable includes breach of contract, such as delayed payment or payment default of interest or instalments or the debtor's bankruptcy or other reorganisation. The assessment of impairment either involves an assessment based on the fair value of the collateral, or all future cash flows are discounted using the receivable's original effective interest rate. In determining future cash flows, the amount that the collateral it is likely to yield on realisation is assessed. The amount of the individual impairment is the difference between the book value of the receivable and its recoverable future cash flows or the difference between the book value of the receivable and the fair value of the collateral.

When assessing impairment on a collective basis, the entire POP Bank Group's receivables are classified into groups of similar credit risk properties based on customer groups. Impairment losses that have materialised according to the assessment but cannot be allocated to an individual receivable are recognised collectively. Receivables whose impairment has been assessed on an individual basis and for which an impairment loss has been recognised are not taken into account in assessing collective impairment. When determining collective impairment loss, the previous loss development of groups with similar credit risk characteristics is taken into account. Collective loss development is adjusted based on the management's estimate to correspond to the conditions at the time of assessment. When impairment can be allocated to be due to an invididual receivable, the receivable is omitted from the collective impairment assessment and individual impairment is recognised. Adjustments to collective impairment made in connection with the transition to IFRS are described in Note 48.49 concerning additional financial information.

Impairment losses on loans and receivables are recognised in the balance sheet using an allowance account, which adjusts the book amount of the receivable. In the income statement, impairment losses are recognised in impairment losses on loans and other receivables. If the amount of impairment loss later decreases, the impairment loss is reversed accordingly.

Loans and receivables are derecognised when no further payments are expected and the actual final loss can be determined. In connection with derecognition, the previously recognised impairment is reversed and the final credit loss is recognised. Payments on derecognised receivables received later are recognised in the income statement as an adjustment of impairment losses.

4. INTANGIBLE ASSETS

The most significant intangible assets of the POP Bank Group are comprised of banking and insurance information systems. Banking's intangible assets are mainly information systems implemented by the POP Bank Group's partner Samlink Ltd over which the POP Bank Group has control as referred to in IAS 38 *Intangible Assets* and which yield economic benefit to the Group. Finnish P&C Insurance Ltd has obtained its information system from an external provider. The POP Bank Group has not capitalised internally produced intangible assets.

All of the Group's intangible assets have a limited useful life. The acquisition cost of intangible assets is amortised in the income statement on the basis of the following estimated useful lives. The estimated useful life is 3–5 years for information systems and 3–4 years for other intangible assets. The estimated useful life of the basic banking and insurance systems may be longer, but not more than 10 years.

The amortisation of the acquisition cost of intangible assets begins when the asset is ready to be taken into use. Intangible assets under development are annually tested for impairment.

Research costs are recorded as expenses as they occur.

5. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

All of the properties owned by the POP Bank Group are divided into owner-occupied properties and investment properties. Owner-occupied properties are recognised under property, plant and equipment and investment properties under investment assets on the balance sheet. The purpose of investment properties is to yield rental revenue or increase in value on capital. If a property is used both by the Group and for investment purposes, the parts are presented separately only if they can be divested separately. In this case, the division is based on the floor area of the properties. If the parts cannot be divested separately, the property is considered to be an investment property only when an insignificant of it is used by the owner.

Both owner-occupied properties and investment properties are measured at acquisition cost less depreciation and impairment. Machinery and equipment as well as other property, plant and equipment are similarly also measured at acquisition cost less depreciation and impairment. Depreciation is based on the useful life of the assets. The average useful life for buildings is 30–40 years. The useful life for technical equipment, renovations and machinery and equipment is 3–10 years. Land is not subject to depreciation.

Depreciation and impairment on property, plant and equipment are included in depreciation, amortisation and impairment loss on intangible assets and property, plant and equipment. Depreciation on investment properties is recognised in the income statement under net investment income. Capital gains and losses are determined as the difference between the income received and balance sheet values. Proceeds from the sale of owner-occupied properties are recognised under other operating income and losses under other operating expenses. Proceeds and losses from the sale of investment properties are recognised in net investment income.

6. LEASES

The Group leases properties it owns or parts thereof by way of operating leases pursuant to IAS 17 *Leases*. In the leases, the essential risks and benefits of ownership remain with the lessor. Rental revenue from investment properties is recognised in net investment income and from other properties in other operating income.
The Group is leasing office equipment and premises it uses for business. Leases have been classified as operating leases in accordance with IAS 17. Rental expenses are recognised in other operating income over the period of lease.

7. NON-LIFE INSURANCE ASSETS AND LIABILITIES

7.1 Financial assets of non-life insurance

Financial assets of non-life insurance are classified as available-for-sale financial assets.

7.2 Contracts issued by the insurance company

Insurance products are classified as insurance contracts or investment contracts. Insurance contracts include those with which a significant insurance risk is transferred from the policyholder to the insurer or entitle the policyholder to a discretionary share of the company's surplus. Other contracts are classified as investment contracts.

All of the insurance products issued by the POP Bank Group are treated in the Group’s consolidated financial statements in accordance with IFRS 4 *Insurance Contracts*.

7.3 Liabilities for insurance contracts

Technical provisions are calculated in accordance with the national accounting policies.
The insurance contracts issued by the company are primarily annual policies. Premiums written include insurance premiums for the contract periods that have begun during the financial year. After this, expected expiries are deducted from premiums written. The portion of premiums written for the post-balance sheet date is recorded as provision for unearned premiums in the balance sheet. The amount of the provision for unearned premiums is calculated at the monthly level from previous premiums written using straight-line depreciation.

The provision for unearned premiums ceded to reinsurers is calculated similarly to the direct insurer’s share. The provisions for unpaid claims ceded to reinsurers is reserved on a case-by-case basis.

Claims paid out to policyholders and claim settlement expenses are charged to claims incurred when the company makes the decision to pay out the claim. Claims unsettled on the balance sheet date for losses already occurred and their settlement expenses – including claims incurred but not yet reported – are reserved in the provision for unpaid claims. Provisions for unpaid claims consist of both claims reserved for individual cases and a collective reservation proportioned to previous Insurance premium revenue. The claims paid out and change in the provisions for unpaid claims make up the claims incurred.

Provisions for unpaid claims for annuities are discounted based on a constant discount rate. The company did not have confirmed pension liabilities on the closing date.

As part of the provisions for unpaid claims, the company reserves equalisation provisions. Equalisation provisions are an item calculated in case of claim-intensive years based on theoretical risk. The equalisation provision was EUR 0 on the closing date.

The sufficiency of the provision for unearned premiums in non-life insurance and provision for unearned premiums is assessed separately. Provisions for unpaid claims are based on estimates of future claim cash flows. The estimates are made using well-established actuarial methods. Any insufficiency of provision for unearned premiums identified is corrected by adjusting the calculation bases.

8. PROVISIONS

A provision is recognised when a legal or factual obligation has emerged due to a previous event and the fulfilment of the obligation is likely. A provision is recognised when the Group can reliably assess the amount of the obligation.
Any remuneration paid by a third party is recognised as a separate item when receiving the remuneration is considered practically certain. The provision is measured at the present value of the amounts paid to fulfill the obligation. The POP Bank Group did not have provisions on the closing date.

9. EMPLOYEE BENEFITS

The Group’s employee benefits in accordance with IAS 19 *Employee Benefits*consist mainly of short-term employee benefits, such as holiday pay and bonus payments, which are expected to be paid in connection with the work performance they are related to or within the following 12 months.

Benefits related to the termination of employment consist of severance payments.

Post-employment benefits consist of pensions and other benefits paid out after the termination of employment. Statutory pension cover is arranged through external pension insurance companies. Most of the Group’s pension arrangements are defined contribution plans. Defined benefit plans are contracts that include additional pension cover.

Expenses from defined contribution plans are recognised in personnel expenses in the period during which they are charged by the insurance company.
The asset or liability recognised in respect of a defined benefit plan is the present value of the obligation on the closing date less the fair value of plan assets. The present value of the pension obligation has been calculated by discounting the estimated cash flows using the discount rate based on the market yield of high-quality bonds issued by companies.

The amount of the pension liability is calculated annually by independent actuaries. The obligation is calculated using the projected unit credit method.

Pension costs are charged to expenses over the employees' working lives and recognised in personnel expenses. Items resulting from remeasurements of the net defined benefit liability are recognised in other comprehensive income in the period they occur. These items will not be reclassified to the income statement in later financial periods.

10. PRINCIPLES FOR RECOGNISING INCOME AND EXPENSES

10.1 Interest income and expenses

Interest income and expenses are amortised over the maturity of the contract using the effective interest rate method, in proportion to the remaining carrying amount in the balance sheet. Interest income and expenses are recognised in net interest income. Interest income and expenses related to insurance assets are recognised in net income from insurance in the income statement.

Negative interest rates did not have a significant effect on the interest income or expenses of the POP Bank Group. Negative interest on financial assets is recognised in interest expenses and positive interest on financial liabilities in interest income.

10.2 Commission income and expenses

Commission income and expenses are generally recognised on an accrual basis when the related services are performed. Commissions and fees relating to services performed over several years are amortised over the service period. Commissions and fees that are considered as an integral part of the effective interest of a financial instrument are accounted for as an adjustment to the effective interest. However, commissions and fees relating to financial instruments measured at fair value through profit or loss are recognised in the income statement on initial recognition.

10.3 Dividends

Dividends are primarily recognised when the General Meeting of Shareholders of the distributing entity has made a decision on dividend payout and the right to receive dividends has emerged. Dividend income is recognised in net investment income or net income from insurance operations with the exception of dividends from real estate companies, which are recognised in net investment income or other operating income, depending on the purpose of use of the property.

10.4 Premiums

Premiums written from non-life insurance operations are recognised in net income from insurance in the income statement. Premiums are recognised in premiums written in accordance with the charging principle.

Net interest income	Interest income and expenses on financial assets and financial liabilities, the amount of amortisation on the difference between the nominal and acquisition values, interest on interest-rate derivatives
Commission income and expenses	Commission income from lending, deposits and legal tasks, commission income and expenses from payments, commission income from securities
Net trading income	Capital gains and losses and fair value changes and dividends from financial instruments at fair value through profit or loss, net gains on foreign exchange operations, net gains on fair value hedges
Net investment income	Net income from available-for-sale financial assets (realised capital gains and losses, impairment losses, dividends), net income from investment property (rental and dividend income, capital gains and losses and maintenance charges and expenses related to investment property, depreciation and impairment losses)
Net income from non-life insurance	Premiums written, change in insurance liability, claims paid and net investment income (interest, realised capital gains and losses and impairment of investments)
Other operating income	Rental and dividend income and capital gains from owner-occupied properties, other operating income.
Personnel expenses	Wages and salaries, social expenses and pension expenses
Other operating expenses	Administrative expenses, rental expenses and capital losses from owner-occupied properties, other business operations-related expenses

10.5 Presentation of income statement items

Income statement items are presented in the financial statements using the below principles.

11. INCOME TAX

Income tax expense shown in the income statement includes current tax, based on the taxable income of the POP Bank Group companies for the financial year, adjustments for income tax for prior financial years and change in deferred taxes. Tax expenses are recognised in the income statement except when they are directly linked to items entered into equity capital or other items in the statement of comprehensive income, in which case the tax effect is also included in these items.

Deferred tax liabilities and assets are calculated on taxable and deductible temporary differences between the carrying amount and the tax basis. Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply at the time when the temporary difference is reversed.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that future taxable profit will be probable and unused tax credits can be utilised.

12. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The application of IFRS requires the management's assessments and assumptions concerning the future. These affect the reported amounts in the financial statements and the information included in the notes. The management's main estimates concern the future and the key uncertainties related to the amounts at the balance sheet date. In particular, they are related to fair value assessment and impairment of financial assets and intangible assets, as well as the assumptions used in actuarial analyses.

12.1 Presentation of the financial rights of the banks that have resigned from POP Bank Alliance Coop

The management of POP Bank Gorup has exercised judgement with regard to the accounting principles concerning the presentation of the financial rights of the banks that have resigned from POP Bank Alliance Coop.

POP Bank Alliance Coop has undertaken to refund the contributions paid by the banks that have resigned from it. The contributions are included in the cooperative capital in the separate financial statements of POP Bank Alliance Coop. The contributions that will be refunded are presented in other liabilities of the POP Bank Group because the member cooperative banks of POP Bank Alliance Coop have undertaken to pay the refund if POP Bank Alliance Coop is unable to pay the cooperative capital refunds to the resigned banks. Due to this commitment, the refunded amount is not presented on the balance sheet of the POP Bank Group as minority interests of equity capital. The commitment to refund cooperative capital is deemed to have emerged when the cooperative meeting of the resigned bank decided to resign from POP Bank Alliance Coop. Other liabilities are presented in Note 21.

The financial rights of the resigned banks expire when POP Bank Alliance Coop has paid the refunds of cooperative capital to the resigned banks. A share equal to the interest of the resigned banks has been separated from the equity capital of POP Bank Alliance Coop, and it is presented as non-controlling interests in accordance with IFRS 10 Consolidated Financial Statements, except for contributions to be refunded, which are presented in other liabilities. The non-controlling interests presented under the POP Bank Group's equity capital also includes the share of the equity capital of the wholly- or partly-owned subsidiaries of POP Bank Alliance Coop corresponding to the resigned banks' indirect holdings. Non-controlling interests are presented in Note 29.

12.2 Impairment losses on financial assets

The management must regularly assess whether there is objective evidence of impairment of financial assets and, when necessary, carry out impairment testing on the asset. In addition, the management must assess at the end of each reporting period whether there are indications of impairment of non-financial assets.

The impairment testing of receivables is carried out individually or on a collective basis. The most important matters that require assessment are the identification of objective factors and future cash flows. The principles of individual and collective impairment are described in more detail in section 3.4. Impairment losses on financial assets.

The impairment testing of available-for-sale financial assets, as well as debt securities included in loans and receivables must be conducted at the end of the reporting period. If there is objective evidence of impairment, any impairment loss is recognised in the income statement. The verification of objective evidence involves management's judgement. In addition, impairment loss on an equity investment must be recognised if the impairment is significant or prolonged. The Board of Directors of POP Bank Alliance Coop has determined that a decline in the fair value of an investment in an equity instrument 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.

12.3 Determining fair value

Determining the fair value of unquoted investments requires the management's judgement and estimates of several factors used in the estimates, which can differ from the actual outcomes, thereby leading to a significant change in the value of the available-for-sale investment and equity capital.

The management must assess whether the markets for financial instruments are active or not. Furthermore, the management must assess whether an individual financial instrument is subject to active trading and whether the price information obtained from the market is a reliable indication of the instrument's fair value. When the fair value of financial instruments is determined using a valuation technique, the management's judgement is needed in the choice of the valuation technique to be applied. Insofar as there is no market input available for the techniques, the management must evaluate how other data can be used for the valuation.

Compound instruments, such as index-linked bonds, usually have no active aftermarket. In this case, fair value is based on imputed value determined by an external partner of the Group. More detailed information on the measurement of such instruments is presented in Note 26.

The fair value of OTC derivatives is measured based on price components available in the market, such as interest rates, in accordance with commonly used valuation models. More detailed information on the measurement of derivative contracts is presented in Note 26.

12.4 Impairment of intangible assets

The impairment of intangible assets must be assessed when there are indications of the impairment of an asset. The amount recoverable from intangible assets is determined in the impairment assessment on the basis of the use value or fair value of the asset. Impairment testing requires management's judgement and assessment of the recoverable amount of the asset in question, as well as the interest rate used for discounting.

12.5 Assumptions used in actuarial calculations

Liabilities arising from insurance contracts involve several discretionary factors and estimates. Besides actuarial analyses of Group's own claims statistics, the assessments are based on statistical data and assumptions related to the operating environment. Provisions for unpaid claims related to major losses are made on a case-by-case basis. The management's discretion is particularly required when assessing the claims incurred arising from major losses. The assumptions concerning the provision for unearned premiums are evaluated annually.

13. NEW IFRS STANDARDS AND INTERPRETATIONS

In the financial period starting on 1 January 2016, the POP Bank Group will adopt the following new standards and interpretations published by IASB, if they are approved to be applied in the EU before the end of the financial period.

Changes and improvements to existing standards

- 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 entities to apply judgement in determining what information to present in the financial statements. For instance, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial statements. The amendments are not expected to have a material effect on the POP Bank 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 clarify IFRS 11 in terms of the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. In this case, the accounting for business combinations should be applied. The amendments are not expected to have a material effect on the POP Bank 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 procedure provides minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments are related to four standards. Their effects vary depending on the standard, but they are not significant.

Other significant amendments that are effective for financial years beginning later than 1 January 2016.

- New IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018): The standard replaces the existing standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the recognition and measurement of financial instruments. This also includes a new expected credit loss model for calculating impairment on financial assets. Furthermore, the general hedge accounting requirements have been revised. The requirements of IAS 39 on recognition and derecognition of financial instruments have been retained. The POP Bank Group is assessing the effects of the standard. The impairment regulations are expected to have a material effect on the POP Bank Group's financial statements.

- New IFRS 15 *Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018): IFRS 15 addresses revenue recognition and specifies new information to be presented in the financial statements concerning the nature, quantity and uncertainty of sales revenue, as well as cash flows related to sales revenue. The standard replaces the standards IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the interpretation 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 POP Bank Group has started assessing the possible impacts of the standard.

* = Not yet endorsed for use by the European Union as at 31 December 2015.

14. ACCOUNTING POLICIES CONCERNING TRANSITION TO IFRS

The POP Bank Group formed the legal entity amalgamation of POP Banks when it started operations on 31 December 2015. Before the formation of the amalgamation, the Group did not have a statutory obbligation to prepare combined FAS financial statements. Additional financial information is presented as notes to the first IFRS financial statements of the POP Bank Group, including the financial statements prepared in accordance with IFRS for the financial years 1 January–31 December 2015 and 1 January–31 December 2014.

The purpose of the additional financial information is to provide investors, credit rating agencies and other stakeholders with useful information about the POP Bank Group's financial position and formation of earnings during the time preceding the formation of the amalgamation. The preparation of the consolidated financial statements as a single entity is based on the "common management" concept. Because the POP Bank Group has not been under joint control, the Group has operated under joint management already before the formation of the amalgamation.

The IFRS financial statements presented as additional financial information have been prepared using the "combined financial statements" principle by consolidating the audited separate financial statements of the companies included in the POP Bank Group prepared pursuant to the national accounting and financial statement standards so that the inter-company items have been eliminated and the balance sheet and income statement items have been adjusted to correspond to IFRS. The member cooperative banks have applied *IAS 39 Financial Instruments: Recognition and Measurement* in accordance with the Financial Supervisory Authority's regulation 1/2013 on the accounting, financial statement and Board of Directors' report in the financial sector. Bonum Bank Ltd has adopted IFRS in the financial statements prepared for the financial year 1 January–31 December 2015.

The POP Bank Group presents the opening IFRS balance sheet as at the IFRS adoption date 1 January 2014 in Note 48.49 as part of the additional financial information. The effects of the transition to IFRS on the financial position, earnings and cash flows of the POP Bank Group on 31 December 2015 has been described in Note 32. Because the POP Bank Group has not previously prepared consolidated financial statements, it is not possible to present a reconciliation between the FAS and IFRS balance sheets.

The POP Bank Group has applied an exemption allowed by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to first-time adopters: IFRS 3 *Business Combinations* has not been applied retrospectively to business combinations that have taken place before 1 January 2014.

NOTE 3: Governance and management

The structure of the POP Bank Group and amalgamation of POP Banks are presented in Note 1.

The operations of the amalgamation of POP Banks are regulated by the European Union's regulations, national legislation and regulations issued by the authorities. The key national acts are the Act on Credit Institutions (610/2014; hereinafter referred to as the "Credit Institutions Act), Act on the Amalgamation of Deposit Banks (599/2010; hereinafter referred to as the "Amalgamation Act"), Co-operatives Act (421/2013), Act on Co-operative Banks and Other Credit Institutions in the Form of a Cooperative (423/2013), Limited Liability Companies Act (624/2006) and Act on Insurance Companies (521/2008). In addition, the amalgamation complies with good banking practice and policies concerning the processing of personal data in its operations.

The scope of consolidation of the POP Bank Group differs from the scope of consolidation of the amalgamation of POP Banks. The POP Bank Group consists of the amalgamation of POP Banks and entities over which the entities included in the amalgamation exercise control as referred to in the Accounting Act (1336/1997).

The POP Bank Group entities not included in the amalgamation are entities other than credit and financial institutions or services companies. The most significant of them are POP Holding Ltd, Finnish P&C Insurance Ltd and POP Banks' guarantee fund.

1. ENTITIES INCLUDED IN THE AMALGAMATION OF POP BANKS

1.1 Central institution POP Bank Alliance Coop

POP Bank Alliance Coop is the central institution of the amalgamation of POP Banks, and it is licensed as the central institution of an amalgamation of deposit banks. POP Bank Alliance Coop is owned by its member credit institution; however, they use their voting rights in a cooperative meeting of POP Bank Alliance Coop so that the subsidiary Bonum Bank Ltd has no voting rights in a cooperative meeting.

1.2 POP Banks

POP Banks are member credit institutions of POP Bank Alliance Coop with deposit bank licences. POP Banks are cooperatives (cooperative banks) in terms of company form. The cooperative meeting of the members of the bank or an elected representatives' meeting is the supreme decision-making body of POP Banks. The cooperative meeting or representatives' meeting elects a Supervisory Board for the bank, which elects the Board of Directors. The Managing Director is appointed by the Supervisory Board or the Board of Directors, depending on the bank's rules.

1.3 Central credit institution Bonum Bank Ltd

Bonum Bank Ltd is a member credit institution and subsidiary of POP Bank Alliance Coop. Bonum Bank Ltd is licensed as a deposit bank. As a member credit institution and subsidiary of POP Bank Alliance Coop, Bonum Bank Ltd is included in the scope of both the member credit institutions of the central institution and group management. Bonum Bank Ltd functions as the central credit institution of POP Banks, and it can also engage in other banking operations besides central credit institution operations.

1.4 Other entities in the amalgamation

Other entities belonging to the amalgamation include the companies included in the consolidation groups of the member cooperative banks, and they are primarily real estate companies. In addition, the amalgamation includes those credit institutions, financial institutions and service companies in which entities included in the amalgamation jointly hold over 50% of the votes.

2. ADMINISTRATIVE ORGANS OF THE CENTRAL INSTITUTION OF THE AMALGAMATION OF POP BANKS

2.1 Cooperative meeting of POP Bank Alliance Coop

The cooperative meeting is the supreme decision-making body of POP Bank Alliance Coop. The cooperative meeting confirms the rules and adopts the financial statements and balance sheet of the central institution, decides on the POP Bank Group's strategy and elects the members of the Supervisory Board and the auditor. One member shall be elected to the Supervisory Board from each member credit institution; however, not from a subsidiary of the central institution acting as a member credit institution.

2.2 Supervisory Board of POP Bank Alliance Coop

It is a key task of the Supervisory Board of POP Bank Alliance Coop to supervise that the operations of the central institution are managed with expertise and care in compliance with the legislation, guidelines and the members' interests and that the ratified guidelines and decisions by the cooperative meeting are followed.

It is the duty of the Supervisory Board to issue a statement on the amalgamation's strategy and financial statements prepared by the Board of Directors of the central institution to the cooperative meeting and to annually confirm the principles of capital adequacy management of the amalgamation of POP

Banks. The Supervisory Board also ratifies the general operating principles of the POP Bank Group and the principles of bank-specific management.

The Supervisory Board elects and discharges the members of the Board of Directors, the Managing Director, his deputy and the head of audit and decides on the Managing Director's contract of employment and the emolument of the head of audit.

The Supervisory Board elects an executive and nomination committee form among its number to prepare matters related to the appointment and salaries and remuneration of the Supervisory Board and Board members, the Managing Director and his deputy and the head of audit. The Supervisory Board elects an audit committee from among its number to take care of the supervisory duties for which the Supervisory Board is responsible.

2.3 Board of Directors of POP Bank Alliance Coop

The Board of Directors of the central institution manages the central institution professionally in accordance with sound and prudent business practice. The Board of Directors is responsible for the appropriate and reliable organisation of the governance and operations of the central institution.

The Board of Directors of the central institution confirms the amalgamation's risk level and risk appetite based on the strategy and business plans and approves the plan concerning the maintenance of capital adequacy proportioned to the risk level. The Board of Directors sets the target level for capital adequacy and confirms the level and structure of capital required by the risk profile. The Board of Directors is also responsible for proactive capital planning.

The Board of Directors is responsible for the sufficiency of the risk management system at the amalgamation level. It is the task of the Board of Directors to guide the operation of the amalgamation and issue the member credit institution belonging to it guidelines on their risk management, reliable governance and internal control to secure their solvency and capital adequacy. The Board of Directors supervises that the companies belonging to the amalgamation operate in compliance with laws, decrees, regulations and instructions issued by the authorities, their own rules and the binding guidelines of the amalgamation. Moreover, it is the duty of the Board of Directors to oversee the functioning and sufficiency of internal control and risk management, approve the principles and guidelines of risk management and the risk category-specific strategies.

The Board has a risk committee whose task it is to monitor and prepare the Board's duties related to risk management. The members of the risk committee were appointed in January 2016. The tasks of the risk committee include assisting the Board of Directors in matters related to the amalgamation's risk strategy and risk-taking ability, preparing risk category-specific strategies and overseeing and coordinating the member credit institutions' risk management and capital adequacy. In addition, the committee monitors the preparation and implementation of the capital adequacy management plan.

The Board has an audit committee whose task it is to monitor and prepare the Board's duties related to internal audit. The members of the audit committee were appointed in January 2016. The tasks of the audit committee include reviewing the reports submitted by the internal audit function and present them to the Board of Directors, monitor and oversee the statutory audit of the amalgamation and supervise ocmpliance with laws, regulations and decrees.

The assessment of the competence of Board member candidates is carried out following pre-defined and neutral selection grounds. A diverse composition of the Board of Directors aims at the optimum ability to develop and manage the efficiency, competitiveness and risk management of the central institution and amalgamation. In planning the composition of the Board of Directors, it is ensured that the required competence is represented at each time. Regional representation is also part of the assessment of diversity. Equal representation of both genders in the Board of Directors is an important aspect of diversity. The Board of Directors approves the objective of equal representation of genders and prepares the operating principles with which the objective is achieved and maintained. The Board of Directors annually reviews the knowledge and skills, experience and diverse necessary for its work and the job description of new members.

The members of the Board of Directors shall have the preconditions for successfully taking care of their duties and sufficient time for it. A Board member and member of the executive management must have sufficient expertise in the amalgamation's business, related key risks and managerial work. A majority of the Board members shall be employed by a member credit institution of the amalgamation. Board members must be reliable persons with a good reputation. The reliability, suitability and professional skills of persons elected as Board members are assessed in connection with their election and at regular intervals thereafter.

The Board of Directors of the central institution ahs specified a maximum number of board memberships of a Board member. A member of the Board of Directors may be a member of a maximum of four other boards of directors. In calculating the number of board memberships, memberships of the boards of directors within the POP Bank Group or those related to the Group's cooperative relationships or membership in the administrative organs of entities with no commercial purposes, such as non-profit or charity organisations and housing associations. The Board members are Managing Directors of POP Banks. Except for one, they have no other managerial duties.

The members of the Board of Directors at the end of the financial year on 31 December 2015 were Soile Pusa (Chairman), Petri Jaakkola (Vice Chairman), Ari Heikkilä, Kirsi Pallas, Teemu Teljosuo and Hannu Tuominiemi.

2.4 Managing Director of POP Bank Alliance Coop

The central institution has a Managing Director who is responsible for the day-to-day management and administration of the central institution in accordance with the instructions and orders issued by the Board of Directors. The Managing Director prepares the matters presented to the Board of Directors and assists the Board of Directors in the preparation of matters presented to the Supervisory Board and the cooperative meeting. The Managing Director of POP Bank Alliance Coop is Heikki Suutala and his deputy is Timo Hulkko.

The Managing Director can also be the representative of the POP Banks' guarantee fund (PVR) and Managing Director of POP Pankkien työnantajayhdistys ry. The Managing Director is required seek the approval of the Board of Directors for any other secondary jobs.

3. CONTROL AND RISK AND CAPITAL ADEQUACY MANAGEMENT OF THE AMALGAMATION OF POP BANKS

In accordance with the Amalgamation Act, POP Bank Alliance Coop, the central institution of the amalgamation of POP Banks, is responsible for supervising the operations of the member credit institutions and issuing them binding guidelines concerning risk management, reliable governance and internal control to secure their liquidity coverage ratio and capital adequacy and for issuing instructions concerning the preparation of the consolidated financial statements of the amalgamation for the purpose of compliance of harmonised accounting policies. Moreover, the central institution can confirm general operating principles for its member credit institutions to follow in their operations significant from the point of view of the amalgamation as specified in its rules.

The central institution supervises that the entities included in the amalgamation comply with laws, decrees, instructions and regulations issued by the authorities, their own rules and the Group's internal binding guidelines in their activities.

If necessary, the central institution issues instructions to an individual member credit institution and, if necessary, interferes in the operations of the member credit institution in accordance with separately agreed principles and procedures. The Board of Directors of the central institution decides on the use of the necessary control methods.

The member credit institution carry their operational risks independently and are liable for their liquidity coverage ratio and capital adequacy. However, a member credit institution of the amalgamation may not take such high risk in its operations that it causes essential risks to the combined liquidity coverage ratio or capital adequacy of the entities included in the amalgamation.

The capital adequacy, liquidity coverage ratio and customer risks of the entities included in the amalgamation of POP Banks are supervised at the consolidated amalgamation level in accordance with the Amalgamation Act. The entities included in the amalgamation must have the minimum combined own funds that is sufficient for covering the consolidated risks of the companies included in the amalgamation specified in more detail in the Act on Credit Institutions. In addition, the combined own funds of the entities included in the amalgamation must be sufficient in relation to the combined customer risks and combined significant holdings of the entities included in the amalgamation.

The central institution has reliable governance that enables the effective risk management of the amalgamation and sufficient internal control and risk management systems considering the operations of the amalgamation.

In accordance with the Amalgamation Act, the Financial Supervisory Authority may grant the central institution a permit to decide on granting certain exceptions related to capital adequacy and liquidity coverage ratio to its member credit institutions. The amalgamation of POP Banks did not have such exceptional procedures in use. Intra-group items are treated as normal external exposures.

The principles followed in the risk management of the amalgamation of POP Banks are described in more detail in Note 4 on risk management and capital adequacy management.

4. JOINING AND RESIGNING FROM THE AMALGAMATION OF POP BANKS

Credit institutions whose rules or Articles of Association are compliant with the provisions of the Amalgamation Act and whose rules or Articles of Association the central institution has approved can be members of the central institution of the amalgamation of POP Banks. The central institution's Supervisory Board decides on acceptance as a member based on a written application.

A member credit institution has the right to resign from the central institution in accordance with the rules of the central institution and the provisions of the Co-operatives Act and Amalgamation Act when the conditions laid down by them are met. The combined amount of the own funds of the companies included in the amalgamation must remain at the level required by the Amalgamation Act in spite of the resignation of a member credit institution.

A member credit institution can be dismissed from the central institution in accordance with the rules of the central institution and the Co-Operatives Act if the member credit institution has neglected its duties arising from its membership. Furthermore, a member credit institution can be dismissed from the central institution if it has, in spite of a warning issued by the Supervisory Board, neglected compliance with the instructions issued by the central institution under section 17 of the Amalgamation Act in a way that significantly threatens joint liquidity coverage or the application of principles concerning capital adequacy management or the preparation of financial statements or the supervision of compliance with them in the amalgamation. A member credit institution can also be dismissed if the member credit institution has otherwise acted essentially in violation of the general operating principles of the amalgamation ratified by the central institution or the interests of the central institution or the POP Bank Group. The decision on dismissing a member credit institution is made by a cooperative meeting of the central institution at the proposal of the Supervisory Board.
The provisions of the Amalgamation Act on the liability to pay of a member credit institution are also applied to a credit institution that has resigned or has been dismissed from the central institution if less than five years have passed since the end of the calendar year in which the member credit institution resigned or was dismissed when the demand concerning liability to pay is made to the member credit institution.

5. CENTRAL COOPERATIVE'S LIABILITY FOR DEBT AND JOINT LIABILITY OF MEMBER CREDIT INSTITUTIONS

The central institution of the amalgamation of POP Banks is liable for the debt and commitments of its member credit institutions in accordance with the Amalgamation Act. As a support measure referred to in the Amalgamation Act, the central institution is liable to pay any of its member credit institutions an amount that is necessary to prevent the credit institution from being placed in liquidation. The central institution is liable for the debts of a member credit institution which cannot be paid using the member credit institution's capital.

Each member credit institution is liable to pay a proportion of the amount which the central institution has paid to either another member credit institution as part of support action or to a creditor of such member credit institution in payment of an amount overdue which the creditor has not received from the member credit institution. Furthermore, in the case of the central institution's default, a member credit institution has unlimited refinancing liability for the central cooperative's debts as referred to in the Co-operatives Act.

Each member credit institution's liability for the amount the central institution has paid to the creditor on behalf of a member credit institution is divided between the member credit institutions in proportion to their last adopted balance sheets. The combined annual amount collected from each member credit institution in order to prevent liquidation of one of the member credit institutions may in each financial year account for a maximum of 0.5% of the last confirmed balance sheet of each member credit institution.

6. SUPERVISION OF THE AMALGAMATION OF POP BANKS

The Financial Supervisory Authority supervises the central institution in accordance with the Amalgamation Act. The member credit institutions are supervised by the Financial Supervisory Authority and the central institution.

The Financial Supervisory Authority supervises that the central institution controls and supervises the operations of the member credit institutions in accordance with the provisions of the Amalgamation Act and that the entities included in the amalgamation meet their statutory requirements.

The central institution supervises that the companies belonging to the amalgamation operate in compliance with the legislation and decrees on the financial market, regulations issued by the authorities, their own rules and Articles of Association and the instructions issued by the central institution in accordance with section 17 of the Amalgamation Act. Furthermore, the central institution supervises the financial position of the companies belonging to the amalgamation.

The internal audit unit of the amalgamation's central institution is responsible for the organisation of internal audit in the central institution and member credit institution, and it controls the organisation of internal audit in the other companies belonging to the amalgamation.

7. PROTECTION AFFORDED BY THE DEPOSIT GUARANTEE FUND AND THE INVESTORS' COMPENSATION FUND

According to the legislation concerning the Deposit Guarantee Fund, the deposit banks belonging to the amalgamation of POP Banks are considered to constitute a single bank in respect of deposit insurance. The Deposit Guarantee Fund reimburses a maximum total of 100,000 euros to an individual account holder who has receivables from deposit banks belonging to the amalgamation of POP Banks. The Financial Stability Board was established within the Ministry of Finance in early 2015 to carry out duties related to deposit protection and administer the Deposit Guarantee Fund.

Furthermore, in accordance with the legislation on the investors' compensation fund, the amalgamation of POP Banks is considered to constitute a single bank in terms of deposit insurance. The Investors' Compensation Fund reimburses a maximum total of EUR 20,000 to an investor who has receivables from entities belonging to the amalgamation of POP Banks.

8. FINANCIAL STATEMENTS AND AUDIT OF THE POP BANK GROUP

In accordance with the Amalgamation Act, the financial statements of the POP Bank Group shall be prepared in compliance with the International Financial Reporting Standards (IFRS) referred to in the Accounting Act. In accordance with IFRS; also other significant entities included in the POP Bank Group must be consolidated in the financial statements. The accounting policies are described in Note 2.

In accordance with the Amalgamation Act, the central institution is liable to issue instructions to the member credit institutions for the purpose of harmonising the accounting policies applied in preparing the financial statements of the POP Bank Group. The member credit institutions are liable to provide the central institution the POP Bank Group the information required for consolidating the financial statements.

The central institution has one auditor that must be a firm of Authorised Public Accountants. The auditor is elected by the cooperative meeting. The auditor's term of office is a calendar year. POP Bank Alliance Coop's auditor is KPMG Oy Ab, Authorised Public Accountants, with Johanna Gråsten, Authorised Public Accountant, as the main auditor. The auditor also audits the consolidated financial statements referred to in the Amalgamation Act. The central institution and its auditors have the right to receive a copy of the documents concerning the audit of a member credit institution for the purpose of auditing the consolidated financial statements of the POP Bank Group.

A member credit institution is not obliged to publish interim reports pursuant to Chapter 12, section 12 of the Act on Credit Institutions, or the capital adequacy information pursuant to the EU's Capital Requirements Regulation ("Pillar III disclosures"). The information required by the EU's Capital Requirements Regulation are presented of the amalgamation of POP Banks.

9. REMUNERATION

Remuneration scheme refers to the decisions, contracts, policies and procedures followed in rewarding the management and personnel.

Remuneration is divided into fixed and variable remuneration. Fixed remuneration refers to salaries tied to a specific period of time and variable remuneration refers to remuneration tied to the beneficiary's performance or financial factors. Variable remuneration includes both short and long-term remuneration. In short-term remuneration, the earning period is the calendar year and the reward is paid in cash.

At the POP Bank Group, variable remuneration is company-specific. The POP Bank Group does not have a uniform remuneration scheme. The remuneration schemes are based on the business strategy, objectives and values of each member credit institution or company, and they are aligned with the company's long-term interests. The remuneration schemes are in harmony with the bank's proper and effective risk management and risk-bearing capacity. Remuneration does not encourage risk-taking that would exceed the risk level defined on the basis of the risk-bearing capacity of the member credit institutions or the company or otherwise sustainable risk level.

The member credit institution- and company-specific remuneration schemes are based on EU legislation, national legislation and the regulations, guidelines and opinions issued by the Financial Supervisory Authority.

The amalgamation of POP Banks follows the Act on Credit Institutions, with the exceptions mentioned below, when deciding on the remuneration scheme of the executive management and employees of the member credit institutions.

The remuneration principles at the member credit institutions are usually confirmed by each member credit institution's Board of Directors, which also monitors and supervises compliance with the remuneration schemes and regularly assesses their functionality. The executive management is responsible for the implementation of remuneration in accordance with the confirmed remuneration principles. The amalgamation of POP Banks bank does not have a joint remuneration committee for the management of the remuneration scheme. It has not been deemed necessary as each entity belonging to the amalgamation makes decisions on remuneration independently.

The internal audit function of the amalgamation verifies at least once a year whether the remuneration scheme, as approved by the member credit institution's Board of Directors, has been complied with. With the start of the operations of the amalgamation, the internal audit unit will annually report a summary of the remuneration schemes of the member credit institution and compliance with them to the Board of Directors of the central institution.

The remuneration of control functions independent from business operations is not dependent on the earnings of the supervised business unit at the amalgamation of POP Banks.

Not all member credit institutions have variable remuneration in use. The member credit institutions in which variable remuneration is in use have different remuneration schemes. The systems differ with regard to, inter alia, the personnel included in their scope, the amount of remuneration and the remuneration criteria.

The member credit institution may decide not to pay any variable remuneration either partially or at all by way of a decision of the Board of Directors, for example in the event the member credit institution's capital adequacy is below the level specified for it.

The payment criteria for severance pay or other comparable remuneration that is paid to a beneficiary if employment terminates prematurely are laid down so that compensation is not paid for failed performance.

Provisions on the payment of variable remuneration are laid down in the Act on Credit Institutions. The amalgamation of POP Banks does not apply the provisions of Chapter 8, sections 9, 11 and 12 of the Act on Credit Institutions to beneficiaries whose variable remuneration during an earning period of one year does not exceed EUR 50,000. The EUR 50,000 limit is based on the opinion of the Financial Supervisory Authority. This means that the payment of variable remuneration paid to the beneficiary need not be deferred but it can be paid as a lump sum.

If a person who, based on hisher 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. If the amount of variable compensation exceeds EUR 50,000, it is taken into account that at least half of the compensation must be affected in non-cash form. During 2015, no beneficiary's remuneration payment was deferred and all remuneration paid was paid in cash form.

The amalgamation of POP Banks has identified significant risk-takers who can impact the risk profile of the amalgamation or a member credit institution or through their actions cause considerable financial risk to the amalgamation or member credit institution. The persons affecting the risk profile of the Amalgamation include the Managing Directors and other people participating in the management and decision-making in the member credit institutions, central institution or other companies along with other people with a major impact on the company's risk exposure and people associated with functions independent of business operations. POP Bank Alliance Coop collects up-to-date information about significant risk-takers. Each group member is responsible for the accuracy and timeliness of its own information.

The member credit institutions publish a report on compliance with the provisions of the Act on Credit Institutions regarding remuneration on their websites. The information required by the EU's Capital Requirements Regulation No 573/2013 article 450 about the remuneration of people who influence the POP Bank Group's risk exposure is presented in Note 48.17, which also presents the salaries, wages and fees for the financial year.

NOTE 4: Risk and capital adequacy management at the POP Bank Group

1. OBJECTIVES AND PRINCIPLES OF RISK AND CAPITAL ADEQUACY MANAGEMENT IN BANKING

The purpose of the POP Bank Group's risk management is to ensure that all significant risks resulting from business activities are identified, assessed, measured and monitored on a regular basis and that they are proportionate to the risk-bearing capacity of the amalgamation and the individual member credit institution. The guidelines and decision-making concerning risks comply with sound and prudent business practices. Violations of the risk management principles are addressed in accordance with the agreed operating models.

The purpose of capital adequacy management is to ensure the sufficient amount, type and efficient use of the capital of the amalgamation of POP Banks. Capital covers the material risks arising from the amalgamation's business strategy and plan and secures the uninterrupted operation of the amalgamation in case of unexpected losses. The goal is pursued through a documented and systematic capital adequacy management process that is integrally linked to the amalgamation's and member credit institutions' strategy process and business planning and management.

The member credit institutions of the amalgamation carry their operational risks independently in their business and are liable for their liquidity coverage and capital adequacy. In addition, each member credit institution takes into account the effects of its operations on the liquidity coverage and capital requirements of the other member credit institutions of the amalgamation. The purpose of risk and capital adequacy management is to ensure that an individual member credit institution does not take such high risk in its operations that it would result in a material threat to the capital adequacy or solvency of the member credit institution, central institution or the entire amalgamation. The capital adequacy, liquidity coverage ratio and customer risks of the entities included in the amalgamation of POP Banks are supervised at the consolidated amalgamation level.

Risk and capital adequacy management is regulated by EU legislation, Act on Credit Institutions (610/2014), Act on the Amalgamation of Deposit Banks (24.6.2010/599; hereinafter referred to as the "Amalgamation Act") and the standards, regulations and guidelines issued by the Financial Supervisory Authority.
Risk management covers all of the essential risks associated with business operations. Risk management manages external and internal risks as well as quantitative and qualitative risks. The amalgamation also monitors dependencies between different risks. The most significant risks affecting the amalgamation are credit risk, liquidity risk and market risk as well as operational risk.

Credit risk is mitigated by the use of diversification and collateral. Liquidity risk is mitigated by the use of diversification of funding with regard to timing and counterparty. In addition, a sufficient liquidity reserve is maintained to prepare for unexpected liquidity crises. The most significant subtypes of market risk are the interest rate risk in the banking book and risk of investment operations. Interest rate risk is mitigated by balance sheet management and by hedging interest rate derivatives. The risk of investment operations is mitigated through diversification. Operational risk is managed through unambiguous processes and training of personnel, guidelines and control mechanisms.

The amalgamation of POP Banks focuses its business operations on the low-risk part of retail banking in accordance with its strategy. The amalgamation does not have excessively large customer or investment risk concentrations with regard to its financial risk-taking ability.

The risk control function reports regularly on the risks of the amalgamation and member credit institution and their levels to the Board of Directors of the central institution. Systems and practices intended for reporting on risks and monitoring them meet the requirements set for risk management, taking the nature and scope of the amalgamation's operations into account. The amalgamation's reliable management, internal control and risk control comply with the requirements of legislation and the requirements of the authorities.

Risk and capital adequacy management are an essential part of the internal control of the amalgamation. The purpose of internal control is to ensure that the organisation complies with regulations, carries out comprehensive risk management and operates efficiently and reliably. Moreover, internal control serves to ensure that the objectives and goals set for different levels of the amalgamation are achieved according to the specified guidelines.

2. ORGANISATION OF RISK AND CAPITAL ADEQUACY MANAGEMENT

The chart below describes the position of the administrative organs and the different functions of the central institution in the amalgamation's risk management.

2.1 Supervisory Board

The Supervisory Board of the amalgamation's central institution POP Bank Alliance Coop supervises that the operations of the central institution are managed with expertise and care in compliance with legislation, guidelines and the members' interests and that the ratified guidelines and decisions by the cooperative meeting are followed.

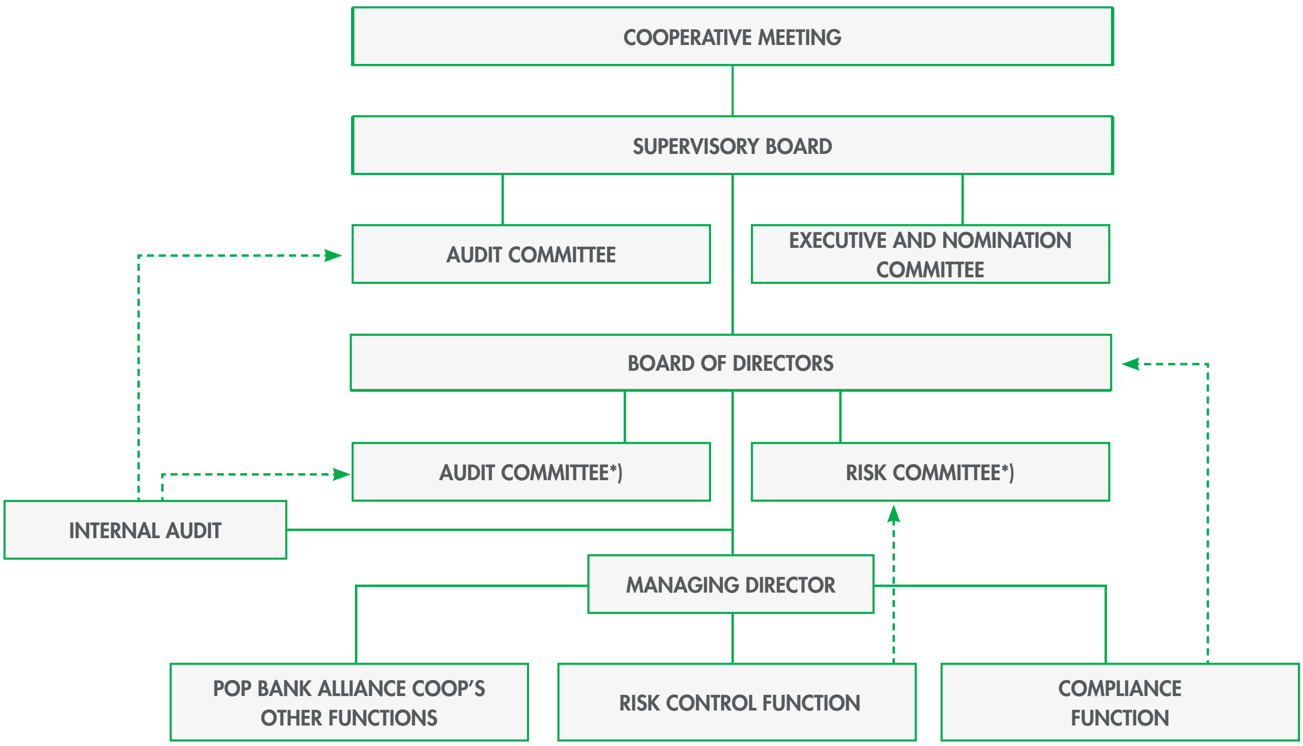
The Supervisory Board issues a statement on the amalgamation's strategy and financial statements prepared by the Board of Directors of the central institution to the cooperative meeting and annually confirms the principles of capital adequacy management of the amalgamation of POP Banks.

The Supervisory Board confirms the general operating principles of the amalgamation and the bank-specific control principles that define the principles for classifying the member credit institutions into different risk categories, the control methods in the different risk categories and the control indicators. Furthermore, the Supervisory Board confirms the other general control principles and operating principles of internal audit and elects the Audit Committee of the Supervisory Board from among its number. The Supervisory Board also confirms the operational and financial objectives of the central institution and its group of companies.

2.2 Board of Directors

The Board of Directors of the central institution confirms the amalgamation's risk level and risk appetite based on the strategy and business plans and approves the plan concerning the maintenance of capital adequacy proportional to the risk level. The Board of Directors sets the target level for capital adequacy and confirms the level and structure of capital required by the risk profile. The Board of Directors is also responsible for proactive capital planning and incorporation of capital adequacy management and preventive capital planning in reliable governance and other control. The Board of Directors assesses the appropriateness, adequacy and reliability of capital adequacy management.

The Board of Directors is responsible for the sufficiency of the risk management system at the amalgamation level. It is the task of the Board of Directors to guide the operation of the amalgamation and issue the member credit institution belonging to it binding guidelines pursuant to section 17 of the Amalgamation Act on their risk management, reliable governance and internal control to secure their liquidity coverage ratio and capital adequacy. The Board of Directors supervises that the companies belonging to the amalgama-



*) The Board of Directors of the central institution confirmed the members of the Risk Committee and Audit Committee in January 2016.

tion operate in compliance with the laws, decrees, regulations and instructions issued by the authorities, their own rules and the binding guidelines of the amalgamation. Moreover, it is the duty of the Board of Directors to oversee the functioning and sufficiency of internal control and risk management, approve the principles and guidelines of risk management and the risk category-specific strategies.

The Board has a risk committee whose task it is to monitor and prepare the Board's duties related to risk management. The members of the risk committee were appointed in January 2016. The tasks of the risk committee include assisting the Board of Directors in matters related to the amalgamation's risk strategy and risk-taking ability, preparing risk category-specific strategies and overseeing and coordinating the member credit institutions' risk management and capital adequacy. In addition, the committee monitors the preparation and implementation of the capital adequacy management plan.

The Board has an audit committee whose task it is to monitor and prepare the Board's duties related to internal audit. The members of the audit committee were appointed in January 2016. The tasks of the audit committee include reviewing the reports submitted by the internal audit function and present them to the Board of Directors, monitor and oversee the statutory audit of the amalgamation and supervise ocmpliance with laws, regulations and decrees.

2.3 Executive management

The amalgamation's executive management is responsible for the practical implementation, continuous monitoring, supervision and reporting of capital adequacy and risk management to the Board of Directors of the amalgamation. The executive management also ensures that the responsibilities, authorisations, processes and reporting relationships related to capital adequacy management have been clearly defined and sufficiently described and that the employees are familiar with capital adequacy management and the related processes and methods to the extent required by their duties.

2.4 Risk control function

The task of the central institution's independent risk control function is to supervise the risks and capital adequacy of the member credit institutions. Its task is to form a comprehensive view of the risks associated with the business operations of the amalgamation and member credit institutions, develop risk management methods and operating models for identifying, measuring and controlling risks and coordinate and develop the capital adequacy management process, risk control and reporting.

The risk control function prepares guidelines for the Board of Directors of the central institution to decide on. It also supports, advises and educates the member credit institutions in the organisation and development of risk and capital adequacy management. The risk control function monitors the development of the risk exposures of the member credit institutions and gives feedback to the member credit institutions on them and the adequacy of own funds in proportion to the risk exposures. The control function's duty is also to ensure that the risk measurement methods are appropriately and sufficiently accurate and reliable and to monitor that the risk management guidelines and risk strategies approved by the Board of Directors are followed.

The risk control function regularly reports a summary of the activities of the risk control function and the observations made by it and risk situation to the Board of Directors. Chief Risk Officer is responsible for the operation of the risk control function of the amalgamation's central institution. The risk control function ensures that the combined effect of the significant risks taken by all member credit institutions in their business operations on earnings and own funds is reported to the Board of Directors in connection with the assessment of capital adequacy.

2.5 Compliance function

The Compliance function oversees that the amalgamation and member credit institutions comply with the legislation and regulations and internal procedures concerning their operations. It is also the Compliance function's duty to keep the senior and executive management of the central institution aware of significant changes taking place in key regulations and their effects and to prepare operating guidelines on the application of the regulations for the Board of Directors to approve. The Compliance function ensures that the amalgamation's capital adequacy management principles are aligned with applicable laws, decrees and operating guidelines. The Compliance function reports observations related to non-compliance with the regulations to the Board of Directors of the central institution.

2.6 Internal audit

Internal audit is an independent and objective assessment and securing activity. The purpose of the activity is to support the Supervisory Board, Board of Directors and executive management of the central institution in reaching the objectives by offering a systematic approach to the assessment and development of the organisation's control, management and governance processes and the effectiveness of risk management.

The internal audit unit of the amalgamation's central institution is responsible for the organisation of internal audit in the central institution and member credit institution, and it controls the organisation of internal audit in the other companies belonging to the amalgamation. The head of audit is responsible for the operation of the internal audit unit. Internal audit acts functionally under the Board of Directors and Audit

Committee of the central institution and administratively under the Managing Director. The Supervisory Board of the central institution confirms the operating principles of internal audit.

Internal audit assesses the coverage and reliability of the amalgamation's capital adequacy management process and the sufficiency and effectiveness of the control procedures. Internal audit reports its key audit observations and the recommendations related to the capital adequacy management process it has issued to the Board of Directors of the central institution, Audit Committee of the Board of Directors and the Audit Committee of the Supervisory Board at least annually. Significant deviations with regard to the capital adequacy management observed in the audit are reported immediately to the Audit Committees of the central institution's Board of Directors and Supervisory Board.

2.7 Member credit institution

The amalgamation's member credit institutions POP Banks and Bonum Bank Ltd comply with the risk and capital adequacy management principles specified by the central institution.

Except for the central credit institution, the member credit institutions of the amalgamation are engaged in retail banking in line with their strategy. By operating only in this business area, the member credit institutions are able to keep the risks inherent in their operations at a manageable level, which is low considering the type of operations.

At POP Banks, the highest administrative organ is the cooperative meeting or representatives' meeting, which elects the members of the Supervisory Board. The Supervisory Board elects the members of the Board of Directors. At Bonum Bank Ltd, the Annual General Meeting elects the members of the Board of Directors.

The Board of Directors of the member credit institution confirms the principles concerning internal audit and risk and capital adequacy management and supervises their implementation. With regard to Bonum Bank Ltd, the duties are carried out by the Board of Directors. The Supervisory Board elects an Audit Committee from among its number, which assists the Supervisory Board in implementing its control obligation.

The Board of Directors of the member credit institution confirms, inter alia, internal guidelines concerning internal control and risk management, business objectives, risk limits concerning different risk categories and capital adequacy management plan. Furthermore, the Board of Directors is responsible for the adequacy of risk management and supervises the business operations, risk exposure and adequacy of risk-bearing capacity of the bank. In the capital adequacy management process, the member credit institution prepares, among other things, result, growth and capital adequacy estimates. Based on the forecasts, the member credit institution maps the necessary measures by means of which the capital adequacy objective in accordance with the business strategy can be achieved.

Organisation of risk management and internal control

I LINE OF DEFENCE

MEMBER CREDIT INSTITUTIONS

- **Day-to-day risk management**
- **Supervisor control**
- **The executive management and Board of Directors of the member credit institution have the primary responsibility for control**

II LINE OF DEFENCE

INDEPENDENT RISK CONTROL AND COMPLIANCE OF THE CENTRAL INSTITUTION

- **Control**
- **Instruction**
- **Support, processes, tools**

III LINE OF DEFENCE

CENTRAL INSTITUTION'S INTERNAL AUDIT

- **Independent assessment of control based on risk-based audit activity**

The executive management of the member credit institution is responsible for the implementation of internal control and risk management and reports regularly to the Board of Directors on the business operations, risk-bearing capacity and risk exposure of the member credit institution.

The central institution's independent risk control function and Compliance function guide the supervision of the amalgamation's risks. In addition to this, the largest member credit institutions have their own independent persons in charge of risk control and compliance function, who is responsible for the implementation of risk control and compliance at the member credit institution as instructed by the central institution. The other member credit institutions have a contact person responsible for the function.

Primary responsibility, control responsibility and assessment responsibility have been specified for the duties of risk management and distribution of responsibilities. The member credit institution responsible for business operations has the primary responsibility for the implementation of internal control and practical risk management measures, and it is also responsible for compliance with the risk management guidelines and procedures.

The central institution's risk control function and compliance function supervise the implementation of risk management within the amalgamation. Internal audit operating in connection with the central institution carries out independent assessment and securing activities to ensure the adequacy and effectiveness of the control procedures.

3. CAPITAL ADEQUACY MANAGEMENT

The amalgamation has a capital adequacy management process in use that aims to secure the sufficiency of the amalgamation's and its member credit institutions' risk-bearing capacity in relation to all the material risks involved in its operations. To achieve this objective, the member credit institutions conduct an extensive identification and evaluation of risks related to their operations and dimension their risk-bearing capacity to match the total amount of the risks. In order to secure their capital adequacy, the member credit institutions set risk-based capital objectives and prepare a capital plan to achieve these objectives. The capital adequacy management process also aims at maintaining and developing high-quality risk management.

The amalgamation's capital adequacy management process and liquidity coverage assessment process determines the risk-taking capacity and risk appetite of the amalgamation in proportion to the business objectives. The purpose of capital adequacy management and liquidity coverage assessment is to secure the risk-bearing capacity of the member credit institutions and amalgamation through sufficient capital and liquidity provisions.

In addition to the 8% capital adequacy requirement, a fixed 2.5% additional capital requirement became applicable on 1 January 2015, as well as a variable additional capital requirement which the authorities can set at 0–2.5%, if necessary. For the time being, the Financial Supervisory Authority has not set a variable additional capital requirement for domestic exposures, which almost exclusively comprise the credit and counterparty risk of the amalgamation's member credit institutions.

The amalgamation of POP Banks publishes material information from the point of view of capital adequacy calculation annually as part of its Board of Directors' report and the notes to the financial statements. The semi-annual interim reports also include the most relevant capital adequacy data.

3.1 Capital plan

Capital planning is part of the capital adequacy management process and business strategy process of the Board of Directors and executive management of POP Bank Alliance Coop, which ensures that the amalgamation's growth, profitability and risk-bearing capacity objectives are appropriate and consistent.

The purpose of capital planning is to ensure the securing of the capital adequacy of the amalgamation of POP Banks even in exceptional conditions by proactively determining the capital management methods available to the amalgamation of POP Banks and the principles of their implementation and, if necessary, implement them in accordance with pre-agreed principles. The capital plan is updated at least annually. The capital plan covers the current year and at least the two following years.

It is also the task of capital planning to define the appropriate capital structure from the point of view of the effective use of capital of the amalgamation. This is influenced, among other things, by constraints due to regulations on which capital items are considered eligible capital or for which risks the capital items in question can be used.

Every member credit institution and entity belonging to the amalgamation of POP Banks is primarily liable for its own capital adequacy and sets target levels and reaction limits for its capital adequacy in accordance with the guidelines issued by the central institution of the amalgamation. Secondarily, the central institution of the amalgamation of POP Banks is responsible for the capital adequacy in accordance with the valid legislation and regulations.

3.2 Assessment of capital provisions

The amalgamation uses scenario analyses and stress tests for the assessment of capital provisions. Stress tests are used to assess how different exceptionally serious, yet possible situations can affect the solvency, profitability or capital adequacy of the amalgamation or its member credit institution. The stress factors are used to assess the effect of both individual risk factors and effects of simultaneous changes of several variables.

Sensitivity analyses are used as part of risk category-specific analysis. Sensitivity analyses help to understand the effect of the assumptions used on the values of risk indicators.

Scenario analyses are used as part of the assessment of total risk position. Scenario analyses involve creating risk scenarios with which capital adequacy is assessed in different changes in the operating environment when several risk areas burden the need for capital at the same time.

3.3 Pillar I capital adequacy ratio

The most significant Pillar I capital requirements of the amalgamation of POP Banks are composed of receivables secured by mortgages of immovable properties and retail receivables. The amalgamation applies the standardised approach for the calculation of the capital requirement to the credit risk and the basic indicator approach for calculating the capital requirement to the operational risk. The member credit institutions of the amalgamation do not engage in trading activities, so the capital requirement to market risk is only calculated for the foreign exchange risk. In the standardised approach for credit risk, the exposure is divided into exposure classes, and the minimum limits for the diversification of lending are specified in the retail exposure class.

The own funds of the amalgamation of POP Banks is comprised of cooperative contributions, supplementary cooperative contributions, POP Shares, retained earnings and reserves less the deductions pursuant to the EU's Capital Requirements Regulation No. 575/2013). The amalgamation of POP Banks does not include the profit for the financial year in the own funds.

The EU's Capital Requirements Regulation does not acknowledge the supplementary cooperative contributions previously used by the member credit institution as an equity instrument. According to the new regulations, supplementary cooperative contributions are no longer items of the own funds of the member credit institutions. The Capital Requirements Regulation is applied as of 1 January 2014, but the application of the transitional regulations concerning supplementary cooperative contributions will change gradually. Some of the member credit institutions of the amalgamation began to issue a new equity instrument included in the own funds, POP Shares. A total of EUR 17 904 thousand of POP Shares were issued in 2015.

Main items of capital adequacy calculation

(EUR 1,000)	2015
Own funds	
Common Equity Tier 1 capital before deductions	461,632
Deductions from Common Equity Tier 1 capital	-6,089
Total Common Equity Tier 1 capital (CET1)	455,542
Additional Tier 1 capital before deductions	10,545
Deductions from Additional Tier 1 capital	0
Additional Tier 1 capital (AT1)	10,545
Tier 1 capital (T1 = CET1 + AT1)	466,087
Tier 2 capital before deductions	3,164
Deductions from Tier 2 capital	0
Total Tier 2 capital (T2)	3,164
Total capital (TC = T1 + T2)	469,251
Total capital requirement	180,228
of which credit risk	163,067
of which credit valuation adjustment risk (CVA)	288
of which market risk (exchange rate risk)	1,991
of which operational risk	14,882
Fixed additional capital buffer according to the Act on Credit Institutions (2.5%)	56,321
Common Equity Tier 1 capital (CET1) in relation to risk-weighted assets (%)	20.2%
Tier 1 capital (T1) in relation to risk-weighted assets (%)	20.7%
Total Capital (TC) in relation to risk-weighted assets (%)	20.8%
Leverage ratio	
Tier 1 capital (T1)	466,087
Total exposures	4,283,948
Leverage ratio, %	10.9%

Information pursuant to the EU's Capital Requirements Regulation about the capital adequacy of the amalgamation of POP Banks is presented in the Pillar III notes.

4. BANKING RISKS

4.1 Credit risk

The most significant risk of the amalgamation is the credit and counterparty risk, the Pillar I capital requirements of which account for approximately 90.5% of all Pillar I capital requirements. Credit risk refers to a situation in which a counterparty cannot fulfil its contractual obligations. The most significant source of credit risk is loans, but credit risk can also arise from other kinds of receivables, such as bonds, short-term debt securities and off-balance-sheet commitments, such as unused credit facilities and overdraft limits and guarantees. The amalgamation of POP Banks is exposed to credit risk of a total of EUR 3,215,680 thousand through loans recognised on the balance sheet and Aktia Real Estate Mortgage Bank Plc intermediated by POP Banks.

4.1.1 Management of credit risk

Credit risk management aims at limiting the effects of credit risks resulting from lending activities on profit and balance sheet to an acceptable level.

The Board of Directors of the central institution controls the credit risk management of the member credit institutions, the methods used in it and the control and reporting of credit risk. The Board of Directors of the central institution prepares the credit risk strategy specifying the target risk level and the principles concerning guidelines on risk-taking, customer selection and collateral. The credit risk strategy is supplemented by credit risk management guidelines issued by the Board of Directors of the central institution, which lay the foundation for the management of credit risk by the member credit institutions. The central institution's risk control function is responsible for the preparation and maintenance of the credit risk strategy. The credit risk strategy is updated at least annually or whenever there are essential changes in the operating environment or business model of the amalgamation, legislation or requirements of the authorities.

The Boards of Directors of the member credit institutions confirm their credit risk strategies in accordance with the credit risk strategy of the central institution's Board of Directors. The business strategy and credit risk management guidelines specify the maximum limits for risk concentrations and act as guidelines for the targeting of lending by customer sector, industry and credit rating class.

Credit decisions are based on the customer's credit rating and ability to pay and the fulfilment of the other criteria for granting a loan, such as requirements for collateral. The main principle is decision making by two persons having lending authorisation. The credit decisions are made within the decision-making authorisations confirmed by the Board of Directors of each member credit institution. Member credit institutions primarily grant loans and guarantees in their own operating areas. This ensures local and sufficiently thorough knowledge of the customer.

To ensure the repayment of exposures, exposures should primarily be secured by collateral. Collateral is measured prudently at fair value, and the development of values is monitored regularly utilising both statistics and good knowledge of the operating area. The collateral valuation and assessment used in measuring collateral will be harmonised by the amalgamation.

The control of credit risk is based on the continuous monitoring of non-performing receivables and past-due payments and the quality of the loan portfolio. Problems that can be foreseen are addressed as early as possible.

Customer exposures and non-performing receivables are regularly reported to the Boards of Directors of the member credit institutions. The reports include, amongst other things, the amount and development of credit risk by customer group, business sector and creditworthiness category. The risk control function reports to the Board of Directors of the central institution on the development of credit risks, risk position and non-performing receivables on a quarterly basis.

Total exposures by exposure class by hedging collateral

Credit and counterparty risk

2015 Exposure class (EUR 1,000)	Total exposure	Financial guarantees	Real guarantees	Guarantees	Other
Exposures to corporates	675,888	5,132	-	26,336	231
Retail exposures	686,742	8,962	-	92,702	1,023
Exposures secured by mortgages on immovable property	1,994,040	-	1,991,922	-	-
Exposures in default	34,298	113	17,892	489	77
Other exposure classes total	909,619	-	-	-	-
Total	**4,300,587**	**14,207**	**2,009,814**	**119,527**	**1,330**

4.1.2 Breakdown of loans by customer groups

The amalgamation's key customer groups are private customers, agriculture entrepreneurs and small companies. A majority of the amalgamation's funding has been granted as loans to the customers of the member credit institutions. The amalgamation's loan portfolio totalled EUR 3,029,032 thousand at the end of 2015. In addition, POP Banks have mediated EUR 203,105 thousand of Aktia Real Estate Mortgage Bank's mortgage loans, primarily to private customers.

Breakdown of loans by customer groups

Customer group (EUR 1,000)	31 Dec. 2015
Private customers	1,941,187
Agricultural customers	578,943
Corporate customers	508,902
Total	**3,029,032**

Lending to private customers is mainly granted against residential real estate collateral. If necessary, other collateral is also used. A majority, 63%, of the amalgamation's loans has been granted against residential collateral. The lending to the private customers is operated via the balance sheets of POP Banks and loans related to Visa cards via the balance sheet of the central credit institution.

Lending to private customers is primarily based on the customer's sufficient debt servicing ability. The assessment of the credit rating of a private customer is based on POP Bank's good customer knowledge, the customer's occupation and income data, ability to pay and surplus calculation and statistical behaviour or application scoring model. Customers with credit exposures are classified with the behaviour scoring model based on payment behaviour. Customers with no exposures who are applying for a loan are classified with application scoring.

The purpose of the classification is to classify customers based on risk. The primary target groups of the member credit institutions' corporate lending are micro companies and small companies, self-employed persons and agriculture and forestry customers operating in the operating area of the member credit institution. In lending to corporate customers, the basis for granting a loan are the customer's financial position, debt servicing capacity, analysis of financial statements, coverage of the collateral offered and the customer's credit rating.

4.1.3. Concentration risk

Credit risk concentrations arise when the counterparties are financially dependent on each other and operate in a similar operating environment, in which case individual events can have effects on a significant number of counterparties at the same time. Similar concentration risk may also arise when similar collateral is held for credit facilities. Concentration risk may also arise if lending is not diversified into maturities of different lengths with regard to reference interest rate and credit amounts.

The total amount of credit granted by the amalgamation or an individual member credit institution to a single customer and/or customer entity must not exceed the maximum amounts confirmed in the EU's Capital Requirements Regulation, other statutory orders or the regulations and guidelines provided by the Finnish Financial Supervisory Authority or other supervisory authorities. A euro-denominated limit has been specified at the amalgamation level with customer groups exceeding the limit within the amalgamation requiring the central institution's permit for granting additional credit.

The amalgamation does not have customer groups exceeding the large exposures limit of 10% of the capital of the amalgamation in accordance with Article 392 of the EU Capital Requirements Regulation.

Corporate lending by industry 31 Dec. 2015

(EUR 1,000)	Balance sheet value	%
Real estate	120,355	23.6%
Construction	81,683	16.1%
Industry	70,050	13.8%
Wholesale and retail trade	64,207	12.6%
Transport and storage	40,739	8.0%
Other industries	131,868	25.9%
Total	**508,902**	**100.0%**

4.1.4 Overdue receivables

Overdue receivables refer to credit that has not been repaid in accordance with the amortisation schedule but the repayments of principal or interest are delayed from the dates agreed upon in the amortisation schedule. The member credit institutions' receivables more than 90 days overdue accounted for a total of 0.76% of the loan portfolio on 31 December 2015. The member credit institution's receivables 30–90 days overdue accounted for 1.53% of the loan portfolio at the end of 2015.

4.1.5 Impairment losses on loans and other receivables

Impairment losses on loans and receivables are assessed on an individual basis if the debtor's total exposure is significant. In other respects, impairment on receivables is assessed on a collective basis for groups of similar receivables.

Individual impairment losses are assessed based on objective evidence, which is based on an assessment of e.g. the customer's insolvency and the adequacy of the collateral. When objective evidence has emerged that the principal or interest of the loan will not be received in full and the corresponding collateral is not sufficient to cover the amount, the amount of the impairment loss is determined as the difference of the carrying amount of the receivable and the present value of the estimated recoverable cash flows, taking into account the fair value of the collateral. When recognising the impairment loss, the collateral is measured at the amount it is likely to yield on realisation after realisation costs. If it is subsequently found that the amount of the impairment loss is lower than estimated, the impairment loss is reversed correspondingly.

Collective impairment losses are recognised so that the groups of receivables are formed based on similar credit risk properties to be able to assess the need for impairment on a collective basis on receivables for which a basis of impairment concerning the individual receivable has not yet been identified. Impairment losses that have materialised according to the assessment but cannot be allocated to an individual receivable are recognised collectively. When determining collective impairment loss, the previous loss development of groups with similar credit risk characteristics is taken into account. The recognition principles of impairment losses are described in more detail in Note 2 Accounting policies.

Loans and other receivables are derecognised as realised credit losses when the ordinary debt collection process has been completed with regard to the debtor and any others liable for the debt and it is estimated that no more payments will be incurred and the final amount of the loss from the loan or receivable is known. The POP Bank Group's member credit institutions' realised credit losses totalled EUR 4,314 thousand in 2015.

At the end of 2015, combined impairment losses related to loans and other receivables totalled EUR 16,933 thousand. Of these, individually assessed impairment losses totalled

Overdue receivables 31 Dec. 2015

(EUR 1,000)		Share of loan portfolio
Overdue receivables (30–90 days)	46,204	1.53%
Overdue receivables over 90 days	23,078	0.76%
Overdue receivables 90–180 days	6,063	0.20%
Overdue receivables 180 days–1 year	6,017	0.20%
Overdue receivables > 1 year	11,057	0.37%

Impaired exposures by customer group 31 Dec. 2015

(EUR 1,000)	Balance sheet value	No impairment (gross)	Impaired (gross)	Individual impairment	Collective impairment
Private customers	1,941,187	1,939,356	7,317	4,383	1,103
Agricultural customers	578,943	577,339	3,219	1,325	289
Corporate customers and others	508,902	502,691	16,044	8,442	1,391
Loans and advances to the public total	**3,029,032**	**3,019,383**	**26,580**	**14,150**	**2,783**

EUR 14,150 thousand and collectively assessed impairment losses totalled EUR 2,783 thousand. Of the collective impairment losses, EUR 1,103 thousand concerned the liabilities of private customers and EUR 1,391 thousand corporate customers and EUR 289 thousand an agriculture customers' liabilities. Impairment losses on loans and other receivables were 0.56% at the end of the financial year

4.2 Market risk

Market risk refers to the possibility of losses caused by changes in interest rates and market prices. The market risk types are interest rate, currency, equity and commodity risk. Interest rate risk in the banking book is the most significant market risk in the amalgamation's banking business. 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. In trading book, a change in interest rates results in market risk through a change in the market prices of the securities. Equity risk refers to effects on earnings due to changes in the market prices of, for example, public equities and fund units.

4.2.1 Management of market risk

The objective of market risk management is to identify and assess market risks related to the business operations, mitigate the risks to an acceptable level and report regularly on them. The central institution's Board of Directors confirms the market risk strategy and market risk management guidelines, which create the foundation for market risk management at the member credit institutions.

The Boards of Directors of the member credit institutions confirm their market risk strategy and market risk management guidelines in accordance with the market risk strategy of the central institution. Together with the market risk management guideline, the strategy specifies the member credit institution's risk appetite with regard to market risk and the maximum amounts of risk concentrations.

The capital adequacy management process is a central process for the measurement and monitoring of the market risk included in the banking book, involving the establishment of Pillar I and Pillar II capital provisions for market risk. Because the amalgamation does not engage in trading activities, Pillar I capital provision is only held for currency risk.

The taking of market risk has been limited within the amalgamation with regard to trading, derivative contracts, currency risk and structured products. The member credit institutions of the amalgamation do not engage in trading for own or customers' account, and the member credit institutions do not, as a rule, have a separate trading book. However, due to a specific need and with the permission of the central institution, an individual member credit institution can have a "small trading book" referred to in article 94 of the EU's Capital Requirements Regulation.

As part of market risk management, the use of derivatives is limited to hedging purposes only. Currency risk is not taken at all in lending; loans are granted in euros. A member credit institution may make investments in structured products only if allowed by the central institution's risk control function.

4.2.2 Interest rate risk in the banking book

Interest rate risk in the banking book refers to the negative effect of changes in interest rates on the market value or net interest income of the amalgamation's balance sheet items and off-balance sheet items. Interest rate risk arises from differences in the interest terms of receivables and liabilities and differences in interest rate adjustment and maturity dates.

Interest rate risk is monitored using the present value method and the income risk model. The present value method measures how changes in interest rates change the calculated market value of financial assets. In the present value method, the market value of each balance sheet item is expected to be formed as the present value of the cash flows generated by the instrument in question. The income risk model predicts the future net interest income as market interest rates change.

The amalgamation uses balance sheet analysis for measuring interest rate risk, measuring the effect of changes in forward interest rates on the net interest income forecast for the following 1–36 months and with the present value method by measuring the effect of changes in interest rates on the present value of the balance sheet. The net interest income forecast is calculated at the reporting date using forward interest rates available in the market for the following three years. The amount of interest rate risk taken is assessed with the effect of diverse interest rate shocks on the net interest income and present value.

Interest rate risk is managed by planning the balance sheet structure, such as the interest rate fixing or maturity of assets

Net interest income sensitivity of the banking book 31 Dec. 2015

(EUR 1,000)	Risk parameter	Change	Effect on earnings	Effect on equity capital
Interest rate risk	Interest rate	+1% point	6,378	-9,769
Interest rate risk	Interest rate	-1% point	-2,660	5,564

The profit and loss effect of the interest rate risk is based on 12 month change in net interest income. The effect on equity capital has been determined through present value change in balance sheet.

and liabilities or by using hedging interest rate derivatives. The risk-taking of the amalgamation's member credit institution is limited with regard to interest rate risk with interest rate risk limits set by the Board of Directors. The objective of interest rate management is to stabilise the interest rate risk involved in the amalgamation's balance sheet to a level at which business is profitable but the result or capital adequacy is not compromised even in the event of strong changes in the interest rate environment.

4.2.3 Investment and liquidity portfolio

The primary purpose of the investment activities of the member credit institutions is to invest liquidity surplus. Market risk emerges in these investment activities. The market risk in the investment and liquidity portfolio consists of the counterparty risk of the investment and the general market price, interest rate and currency risks. Changes in share prices, interest rates and exchange rates affect the value and, therefore, yield of the investment portfolio.

The member credit institutions' objective in investing in securities is to obtain competitive return on investment in terms of yield/risk ratio. The member credit institutions invest in securities only so that the effect of share price changes on profit will not threaten the capital adequacy or profitability of the member credit institution or the entire amalgamation.

The diversification of investments decreases the concentration risk arising from individual investments. The risks of the investment and liquidity portfolio are managed by diversifying investments in terms of timing, asset category, counterparty, sector and geography. The Boards of Directors of the amalgamation's member credit institutions specify risk limits for the composition of the investment and liquidity portfolio with regard to asset category, counterparty, sector or maturity. The amalgamation does not have investment counterparties in which the amount of investments and other receivables would exceed the large exposures limit of 10% of the capital of the amalgamation in accordance with the EU's Capital Requirements Regulation.

Investment and liquidity portfolio

(EUR 1,000)	2015
Available-for-sale financial assets	
Debt securities	311,983
Fund units	241,235
Money market funds	186,201
Other	55,034
Public equity	16,546
Financial assets at fair value through profit or loss	
Hybrid instruments	3,383
Investment and liquidity portfolio total	**573,147**

Investment risk is monitored through sensitivity analysis. The credit risk of investment operations is managed by issuer and counterparty limits. The development of the position of the investment portfolio and biggest counterparties at the amalgamation level are regularly reported to the Board of Directors of the central institution. The risk of the investment portfolio is assessed in relation to the earnings and own funds of the amalgamation.

In addition to the investment portfolio, POP Banks have EUR 69,725 thousand of available-for-sale shares and participations measured at fair value, which are primarily POP Banks' equity investments in shares of companies that are necessary for its operation and for which a reliable fair value cannot be determined. The most significant unquoted investments are shares and participations in POP Holding Ltd, POP Bank Alliance Coop, Aktia Real Estate Mortgage Bank and Samlink Ltd.

Currency risk refers to the effect of changes in foreign exchange rates on earnings or own funds. The operations of the amalgamation do not involve significant currency risks. Currency risk may arise to a small extent mainly from mutual fund holdings in the investment portfolio and covering transactions related to the central credit institution's international payments.

4.3 Liquidity risk

Liquidity risk refers to the capability of the amalgamation and its individual member credit institution to meet their commitments. Liquidity risk can be divided into short-term liquidity risk and long-term structural financing risk. Short-term liquidity risk refers to a situation in which an entity cannot without difficulty fulfil its liabilities to pay. Structural financing risk, on the other hand, refers to a funding risk that arises from the difference in the maturities of long-term lendings and short-term borrowings.

The amalgamation's central credit institution Bonum Bank Ltd supervises the intraday liquidity coverage by monitoring the balances of the payment accounts of the member credit institutions. The key ratio for measuring liquidity risk is the liquidity coverage ratio (LCR), specified in the EU's Capital Requirements Regulation. Credit institutions must meet the minimum LCR level of 60% as of 1 October 2015. As of the beginning of 2016, the requirement is
70%, from which the minimum requirement for the LCR will gradually increase to 100 per cent by 1 January 2018.

The lending-borrowing ratio and analysis by maturity class, which assesses the difference between the cash flows of the receivables and liabilities of each maturity class, are used for measuring financing risk. The purpose of the requirement for stable funding is to emphasise the availability of long-term financing to banks. The net stable funding ratio indicator NSFR will be adopted in 2018, at which time the NSFR indicator must be over 100%.

The Board of Directors of the amalgamation's central institution specifies the required LCR level for the member credit institutions and at the amalgamation level. The member credit institutions continuously monitor their liquidity and LCR indicator. The central institution monitors the LCR indicator at the amalgamation and member credit institution level.

The amalgamation's LCR-eligible assets totalled EUR 434,259 thousand on 31 December 2015, of which 39.8% were cash and balance at a central bank, 88.5% high quality liquid assets, 6.8% liquid level 2A assets and 4.7% level 2B liquid assets. The amalgamation's LCR indicator was 202% on 31 December 2015.

4.3.1 Management of liquidity risk

The liquidity needs of the member credit institutions communicated to the Board of Directors of the central institution and the executive management of the central credit institution Bonum Bank Ltd are the starting point of the amalgamation's liquidity management.

The executive management of the central institution prepares the amalgamation's strategy and principles of liquidity management together with the Board of Directors of the central credit institution, which are determined based on the member credit institutions' liquidity needs and amalgamation-level risk appetite. The central institution's Board of Directors approves the liquidity strategy and the principles of liquidity management. In addition, the Board of Directors approves the quality targets for the liquidity buffer, the funding plan and the liquidity contingency plan. The risk control function plans, develops and tests methods used in liquidity risk management. The central credit institution and its executive management assist the risk control function in this process. The central institution's executive management approves the liquidity strategy and the methods used in implementing the principles of liquidity management.

The executive management of the central credit institution is responsible for coordinating the implementation of the liquidity strategy at the amalgamation level, and it monitors and supervises the liquidity strategy implemented by the member credit institutions. The task of the amalgamation's independent risk control function is to supervise and monitor the liquidity risk. The member credit institutions are responsible for implementing the liquidity strategy.
The central credit institution reports on the liquidity situation to the Board of Directors of the central institution and the executive management of the central credit institution. The Board of Directors of the central credit institution is responsible for monitoring the implementation of the liquidity strategy at the central credit institution and plan the liquidity coverage of the central credit institution in accordance with the amalgamation's liquidity strategy. The Board of Directors of the central institution takes the required measures based on the reporting it receives.

4.3.2 Structural financing risk

The financing risk arising through the maturity transformation of lending and borrowing is an essential part of the amalgamation's business operations. The business operations are based on deposits received by the member credit institutions from their customers, which are used to finance the member credit institutions' lending to customers.

Financing risk is a risk related to the availability and price of refinancing which arises when the maturities of receivables and liabilities differ from each other. A financing risk also arises if receivables and liabilities are concentrated on individual counterparties to too high a degree. The financing risk is evaluated by maturity class based on the difference of receivables and payables within each class.

Financing risk is managed by timing the cash flows of the balance sheet assets and liabilities to be equal by time category and by maintaining a sufficient liquidity reserve to cover time category-specific differences.

The amalgamation's financing is diversified into several small counterparties as the amalgamation obtains the refinancing it needs primarily as deposits from the public. The financing structure will be diversified in the future as allowed by the start of the operations of the amalgamation.

Maturity of financial liabilities 31 Dec. 2015

(EUR 1,000)	less than 3 months	3–12 months	1–5 years	> 5 years	Total
Deposits	2,694,098	458,767	183,337	-	3,336,202
Debt securities issued	381	24,076	-	-	24,457
Subordinated liabilities	-	-	-	-	-
Other liabilities to credit institutions	115,807	-	-	-	115,807
Total	**2,810,286**	**482,842**	**183,337**	**-**	**3,476,465**

The table presents the cash flows of the principals and interests of financial liabilities by maturity. All derivative contracts are interest rate swaps, and the net cash flow from the contracts is expected to be positive throughout the residual maturity.

4.4 Real estate risk

Real estate risk refers to impairment, income or loss risk related to real estate property. Real estate investments are not included in the core business of the amalgamation's banking operations. The properties owned by the amalgamation of POP Banks are divided into owner-occupied properties and the investment properties.

Owner-occupied properties are recognised under property, plant and equipment and investment properties under investment assets on the balance sheet. Both properties in use by member credit institutions of the amalgamation and investment properties are measured at acquisition cost less depreciation and impairment in the financial statements. The value of real estate assets is moderate compared to the balance sheet and own funds of the amalgamation. The balance sheet value of investment properties accounted for 1% of the balance sheet.

4.5 Operational risks

Operational risks refer to the risk of financial loss or other negative effects caused by insufficient or failed internal processes, lacking or incorrect operating methods, personnel, systems or external factors. All business processes, including credit and investment processes, involve operational risks. The amalgamation also has operational risk through outsourced IT functions and financial administration function.

The Board of Directors of the central institution approves the principles of operational risk management and the key guidelines concerning operational risk. The target level for risks are limited. Certain operational risks are covered with insurance coverage. Risks caused by malfunctions of information systems are prepared for by continuity planning.

The identification and assessment of risks and assessment of the functionality and adequacy of control and management methods are key aspects in operational risk management. The member credit institutions included in the amalgamation assess the likelihood of the realisation of operational risks and their effects in operational risk self-assessments, which have been prepared based on the most significant business processes.

The member credit institutions report on the operational risks, interruptions and losses concerning their operations annually to the central institution's risk control function. Furthermore, the member credit institution report the results of their self-assessments of operational risks to the risk control function. The risk control function regularly assesses the nature of the operational risks it has observed and the likelihood of the realisation of the risks in the entire amalgamation.

The operational risks associated with the key products, services, functions, processes and systems are identified in the assessment process concerning a new product or service carried out by the business function and reviewed by the risk control function.

The risk control function annually reports the losses incurred due to the realisation of operational risks and a summary of the self-assessments of operational risks to the Board of Directors of the amalgamation's central institution and the executive management of the central institution.

4.6 Strategic risk

Strategic risk arises from choosing a wrong strategy, unsuccessful implementation of strategy, changes in the competitive environment or responding too slowly to changes.

The aim is to minimise strategic risks by means of regular updates of strategic and annual plans. Analyses of the condition and development of the POP Bank Group, as well as other analyses and estimates concerning the development of the sector, competition and financial operating environment are utilised in the planning.

5. INSURANCE RISKS

5.1 General principles of risk management

Finnish P&C Insurance Ltd carries out insurance operations within the POP Bank Group. At Finnish P&C Insurance Ltd, risk management refers to a process that aims to identify possible risks, assess and limit the likelihood and effects of the identified risks, enable reacting to changes in the market situation and generally to ensure the reliability, safety and efficiency of operations.

The company's Board of Directors is responsible for the organisation of risk management. The Board of Directors annually approves a risk management plan that contains the main outlines on the company's risk management and a description of the company's risk profile. The Own Risk and Solvency Assessment (ORSA) is an essential part of risk management, and the company uses it to maintain a view of its capital needs in the long and medium term. When organising risk management, particular attention is paid to the company's strategic choices, objectives of insurance and investment activities and capital adequacy.

The appropriate organisation of risk management is supported e.g. by internal control as a whole, investment plan, continuity plan related to data security, the company's internal monitoring and reporting mechanisms and internal audit.

5.2 Organisation, responsibility and supervision of risk management

The responsibilities related to the implementation of risk management and the distribution of work are documented in the risk management plan. The Managing Director of Finnish P&C Insurance Ltd is responsible for the performance of all risk management and internal audit measures. The Board of Directors supervises the operational implementation of the measures.

5.3 Risk management processes and risks

Finnish P&C Insurance Ltd's risk management is a continuous activity and it covers all of the company's operations. Risk management is embedded in the planning and conduct of the company's business through internal guidelines and operating models, among other things. These include customer and risk selection guidelines, reporting practices and approval limits and procedures.

The regular risk survey process is a process that supports comprehensive risk management and is tied to the company's annual operations; in it, the risks are identified and assessed, decisions are made on the methods of preparing for the risk, and a person is appointed responsible for the risk. Risks and preparations for them are monitored and assessed as part of the regular risk management process.

The company maintains solvency capital that is sufficient in terms of quantity and quality in case of financial losses caused by risks. Solvency is monitored continuously in the short and long term. In connection with annual planning, a comprehensive view of the company's long and medium-term capital requirements based on the company's action plans, risk profile and solvency requirements in the Own Risk and Solvency Assessment (ORSA). The report on the assessment is approved by the Board of Directors of the Company.

5.4 Risk management reporting

Risks are reported to the Board of Directors in accordance with the practices recorded in the risk management plan. An extensive survey of risks is reviewed annually by a meeting of the Board of Directors in connection with the review of the risk management plan. The Board of Directors approves the company's Own Risk and Solvency Assessment (ORSA).

The Board of Directors regularly receives reports on the company's finances, business operations, solvency and investment activities.

5.5 Insurance risks

5.5.1 Specification of risks and risk management strategy

The policyholder transfers the insured risk to the insurer with the insurance contract. The claims incurred of Finnish P&C Insurance Ltd is composed of the number and extent of losses indemnified from the insured risks and their random variation. The claims incurred are further divided into losses arising from property risk and personnel risk.

The most significant insurance risks are associated with the pricing of insurance policies, subscription of insurance policies (customer and risk selection) and sufficiency of the technical provisions.
In particular, the pricing risk of insurance policies is linked to the accurate basic pricing of motor vehicle insurance. The risk is prepared for by monitoring the profitability of operations, risk-based pricing and by enabling a technically and process-wise flexible pricing system.
The functioning of customer and risk selection is continuously monitored and changes are made to the guidelines as necessary. The risk level is kept moderate, and customer selection is also guided with targeted pricing changes.

The sufficiency risk of technical provisions is particularly associated with the development of the loss ratio of motor vehicle insurance and personal injuries with significant costs indemnified based on traffic insurance. The bases of determination of the technical provisions is specified in the technical provision calculation bases. The technical provision calculation bases have been determined in a securing way. The calculation bases are assessed annually and amended, if necessary. In addition, the effect of individual losses has been restricted through Excess-of-Loss reinsurance contracts covering the company's entire product portfolio.

5.5.2 Risk management processes

The claim situation, claims incurred and major losses are monitored at the weekly level and claim proportions at the monthly level. The development of the customer base and acquisition of new customers are monitored at the monthly level. Technical provisions, solvency capital and its minimum limits are monitored at the monthly level. Technical provision and capital adequacy calculations are made by the actuary function. Risks are reported to the company's Executive Board and the Board of Directors and, as agreed, to the Finnish Financial Supervisory Authority.

5.5.3 Actuarial assumptions

The bases of calculation used by Finnish P&C Insurance Ltd with justifications are submitted to the Financial Supervisory Authority by the end of the financial year.

The portion of premiums written for the post-balance sheet date is recorded as provision for unearned premiums. The amount of the provision for unearned premiums is calculated at the monthly level from previous premiums written using straight-line depreciation. Corresponding recognition and reservation practices are also used for reinsurance premiums.

Claims unsettled on the balance sheet date for losses already occurred and their settlement expenses – including claims incurred but not yet reported – are reserved in the provision for unpaid claims. Provisions for unpaid claims consist of both claims reserved for individual cases and a collective reservation proportioned to previous Insurance premium revenue.

At the end of the financial year, the company had no confirmed annuity losses.

5.5.4 Quantitative information about insurance risks

Premiums written for the financial year, claims incurred and technical provisions 31 Dec. 2015

(EUR 1,000)	Gross	Ceded to reinsurers	Retained
Insurance premium revenue	29,480.00	1,386.10	28,093.90
Claims incurred	22,820.90	-50	22,870.90
Provision for unearned premiums	11,960.00	-	11,960.00
Provisions for unpaid claims	9,929.10	-	9,929.10

Technical provisions totalled EUR 21,889 thousand, with the equalisation provisions amounting to EUR 0.

5.6 Investment risks

5.6.1 Specification of risks and risk management strategy

The purpose of the investment activities of Finnish P&C Insurance Ltd is primarily to secure its investment assets and avoid unnecessary risks.

Market risk associated with investment assets refers to loss risk or unfavourable change in the economic situation, which is directly or indirectly due to the fluctuation of the market prices of the financial instrument. Market risks include share risk, real estate value change risk and currency risk. Credit loss risk refers to the counterparty risk of investment assets and liquid assets and the resulting fluctuation of value.

5.6.2 Risk management processes

The Board of Directors of Finnish P&C Insurance Ltd annually confirms the investment plan specifying the investment diversification and return objectives, currency restrictions, liquidity objectives, maintenance of investment assets and authorities.

Investment activities are the responsibility of the person responsible for investments within the organisation, who is a subordinate of the Managing Director. The management of the investment portfolio has been outsourced. Investment decisions are made by the Board of Directors, Managing Director, investment team appointed by the Executive Group, Investment Director and treasurer within their mandate. The mandate of the portfolio manager is specified in a written agreement. The portfolio manager regularly reports to the company.

The team in charge of investment activities takes care of the implementation of the risk management guidelines and regulations issued by the authorities in investment activities.

5.6.3 Quantitative information about the risk structure of the investment portfolio

Investment risk was kept at a moderate level in 2015. At the end of 2015, investment assets totalled EUR 28.1 million at fair value. Only liquid euro-denominated direct and indirect interest rate instruments and deposits were used in the investments.

Fixed income investments were allocated to money market funds, bonds issued by EEA states with an average credit rating of AAA and direct bonds issued by Nordic credit institutions and companies. At the end of the year, the average maturity of fixed income investments was 1.9 years.

5.7 Liquidity risk

Liquidity risk refers to the risk of the company not having liquid assets to meet its future liability to pay within due time. With regard to Finnish P&C Insurance Ltd, liquidity risk refers to claims paid and the company's other liabilities to pay. The company's liabilities are primarily comprised of technical provisions covered by liquid financial instruments. With regard to other liabilities, the company monitors the liquidity position through cash flow analysis. With regard to major losses, liquidity is secured by way of reinsurance.

5.8 Operational risks

5.8.1 Specification of risks and risk management strategy

Operational risk refers to exposure to risk of loss caused by own operations and related choices. Operational risks can be related to internal processes, IT systems or personnel, for example. With regard to external factors, operational risk can arise from events causing a partner company's inability to perform, for example.

The governance and management system of Finnish P&C Insurance Ltd and internal control as a whole play a key role in the management of operational risks.

5.8.2 Risk management processes

Operational risks are surveyed as part of Finnish P&C Insurance Ltd's risk management process described above. The management of operational risks is supported through internal control and occupational health and safety measures. The reporting and monitoring models make it possible to observe an increase in the probability or effect of risks.

Risks related to the company's IT systems and technical solutions have been prepared, for example, by documenting the IT practices and preparing a continuity plan. A 24-hour on-call and alarm practice ensures swift reaction in emergencies.

5.8.3 Key operational risks

Due to the nature of the company's operations and business mode, the key operational risks concern the company's IT system structure and activities supporting or developing it. The performance and operational stability of the IT system as a whole has been monitored closely.

Personnel risk has been mitigated by decreasing dependence on partners and their employees. In spite of the development of the in-house organisation, the organisation is still relatively small and competence is concentrated. Because of this, the company's personnel risk is significant.

5.9 Key other risks

Other risks herein refer to all identified risks that have not been specifically mentioned above.

Other risks are included in the scope of the company's risk management process similarly to the above-mentioned insurance risks, investment risks and operational risks.

Key other risks include strategic risks and data security risks, such as possible denial of service attacks or other attempts to prevent or interfere with the company's online business.

Notes concerning operating segments

NOTE 5

The POP Bank Group's operating segments

NOTE 5: The POP Bank Group's operating segments

The operating segments of the POP Bank Group are banking and insurance. The operating segments are reported in a way that is consistent with the internal reporting to the management. The reporting of operating segments complies with the accounting policies applied to the Group's IFRS financial statements, presented in Note 2 the POP Bank Group's accounting policies. The chief operating decision maker of the POP Bank Group is the Board of Directors of the Group's central institution POP Bank Alliance Coop. The central institution is responsible for the allocation of resources and assessing the profitability of operations.

The Banking segment includes the member cooperative banks and Bonum Bank Ltd. Cooperative banks engage in retail banking and Bonum Bank Ltd acts as their central credit institution. 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 Insurance segment comprises Finnish P&C Insurance Ltd, a provider of vehicle, property and personal insurance policies to private customers. The most significant income items of Insurance are insurance premium revenue and net investment income. The most significant expense items of Insurance consist of personnel expenses and other operating expenses.

Internal transactions between banks included in the Banking segment are eliminated in segment reporting. Pricing between segments is based on market prices. Transactions between the Banking segment and the Insurance segment are included in eliminations presented with reconciliations. Unallocated items include income statement and balance sheet items related to other operations, the most significant of which are the items of POP Banks' guarantee fund.

Balance sheet 31 Dec. 2015

(EUR 1,000)	Banking	Insurance	Segments total
Assets			
Liquid assets	172,899	-	172,899
Assets at fair value through profit or loss	3,383	-	3,383
Loans and receivables from credit institutions	128,780	3,483	132,263
Loans and receivables from customers	3,029,032	-	3,029,032
Derivative contracts	5,356	-	5,356
Investment assets	686,487	-	686,487
Non-life insurance assets	-	37,610	37,610
Intangible assets	6,547	8,885	15,432
Property, plant and equipment	32,766	57	32,824
Other assets	13,293	162	13,455
Tax assets	3,266	56	3,322
Total assets	**4,081,809**	**50,252**	**4,132,062**
Liabilities			
Liabilities to credit institutions	112,658	-	112,658
Liabilities to customers	3,347,181	-	3,347,181
Non-life insurance liabilities	-	27,567	27,567
Debt securities issued	24,188	-	24,188
Supplementary cooperative capital	58,231	-	58,231
Other liabilities	54,151	1,752	55,903
Tax liabilities	24,995	153	25,149
Total liabilities	**3,621,404**	**29,473**	**3,650,876**

Reconciliations

(EUR 1,000)	2015
Assets	
Total assets of the segments	4,132,062
Eliminations of internal items between segments	-3,321
Unallocated assets, other functions	129,754
Eliminations of internal items between segments and other functions	-184,595
Group's total assets	**4,073,900**
Liabilities	
Segments' total liabilities	3,650,876
Eliminations of internal items between segments	-3,321
Unallocated liabilities, other functions	19,445
Eliminations of internal items between segments and other functions	-19,082
Group's total liabilities	**3,647,918**

Notes to assets

NOTE 6
Classification of financial assets and financial liabilities

NOTE 7
Cash funds

NOTE 8
Financial assets at fair value through profit or loss

NOTE 9
Loans and receivables

NOTE 10
Derivative contracts and hedge accounting

NOTE 11
Investment assets

NOTE 12
Non-life insurance assets

NOTE 13
Intangible assets

NOTE 14
Property, plant and equipment

NOTE 15
Other assets

NOTE 16
Deferred taxes

NOTE 6: Classification of financial assets and financial liabilities

Assets 31 Dec. 2015

(EUR 1,000)	Loans and receivables	Measured at fair value through profit or loss	Hedging derivatives	Available-for-sale	Non-financial assets	Total carrying amount
Liquid assets	172,899	-	-	-	-	172,899
Assets at fair value through profit or loss	-	3,383	-	-	-	3,383
Loans and receivables from credit institutions	129,327	-	-	-	-	129,327
Loans and receivables from customers	3,013,972	-	-	-	-	3,013,972
Derivative contracts	-	-	5,356	-	-	5,356
Investment assets						
Debt securities	-	-	-	311,983	-	311,983
Shares and participations	-	-	-	289,823	-	289,823
Other	-	-	-	-	35,502	35,502
Non-life insurance assets	-	-	-	24,412	13,198	37,610
Total financial assets	**3,316,198**	**3,383**	**5,356**	**626,218**	**48,700**	**3,999,854**

Because of the reclassification of held-to-maturity investments, the POP Bank Group cannot classify investments into investments held to maturity in the next two financial years.

Liabilities 31 Dec. 2015

(EUR 1,000)	Other financial liabilities	Non-financial liabilities	Total carrying amount
Liabilities to credit institutions	112,783	-	112,783
Liabilities to customers	3,337,170	5,643	3,342,813
Debt securities issued to the public	24,188	-	24,188
Supplementary cooperative capital	58,231	-	58,231
Total financial liabilities	**3,532,372**	**5,643**	**3,538,015**

NOTE 7: Liquid assets

(EUR 1,000)	2015
Cash	13,752
Receivables from central banks repayable on demand	159,147
Cash and cash equivalents	**172,899**

Cash and cash equivalents comprise cash assets and cheque account with the Bank of Finland.

NOTE 8: Financial assets at fair value through profit or loss

(EUR 1,000)	2015
Hybrid instruments	
Bonds	3,383
Total financial assets at fair value through profit or loss	**3,383**

NOTE 9: Loans and receivables

(EUR 1,000)	2015
Loans and receivables from credit institutions	
Deposits	
Repayable on demand	63,415
Other	65,912
Total loans and advances to credit institutions	**129,327**

Loans and receivables from customers	
Loans	2,919,646
Loans granted from government funds	9,026
Guarantees	184
Used overdrafts	44,002
Other receivables	41,115
Total loans and advances to customers	3,013,972
Total loans and receivables	**3,143,299**

POP Banks belonging to the POP Bank Group have additionally intermediated Aktia Real Estate Mortgage Bank's loans. POP Banks have the right to purchase the Aktia Real Estate Mortgage Bank loans they have intermediated during 2016. The loans intermediated by POP Banks amounted to EUR 203,105 thousand on 31 December 2015.

(EUR 1,000)	2015
Impairment losses on loans and receivables 31 December 2015	16,933

NOTE 10: Derivative contracts and hedge accounting

The POP Bank Group has hedged the interest rate risk of borrowings from changes in fair value through interest rate derivatives and applies hedge accounting to all hedging relationships.

Positive value changes of hedging derivative contracts

(EUR 1,000)	2015
Fair value hedging	
Interest rate derivatives	5,356
Hedging derivatives total	**5,356**
Change in the fair value of the hedged item	-5,643

Nominal values of the underlying instruments of derivative contracts held for hedging purposes and fair values of derivative contracts 31 Dec. 2015

(EUR 1,000)	Nominal values/residual maturity				Fair values
	< 1 year	1–5 years	> 5 years	Total	Assets
Fair value hedging					
Interest rate derivatives					
Interest rate swaps	35,000	80,000	-	115,000	5,356
Hedging derivatives total	**35,000**	**80,000**	**-**	**115,000**	**5,356**

NOTE 11: Investment assets

(EUR 1,000)	2015
Available-for-sale financial assets	
Debt securities	311,983
Shares and participations	289,823
Investment properties	35,502
Total investment assets	**637,308**

Available-for-sale financial assets 31 Dec. 2015

(EUR 1,000)	Available-for-sale debt securities	Available-for-sale shares and participations			Total
	At fair value	At fair value	At cost	Total	
Quoted					
Public sector entities	50,442	-	-	-	50,442
From others	154,858	257,544	-	257,544	412,401
Other					
Public sector entities	54,518	-	-	-	54,518
From others	52,165	12,418	19,862	32,279	84,445
Investments total	**311,983**	**269,961**	**19,862**	**289,823**	**601,806**

The available-for-sale financial assets presented in the table do not include available-for-sale financial assets included in non-life insurance assets.

Available-for-sale shares and participations measured at cost are POP Banks' equity investments in shares of companies that are absolutely necessary for its operation and for which a reliable fair value cannot be determined. The most significant unquoted investments are shares in Aktia Real Estate Mortgage Bank and Samlink Ltd. Aktia Bank Plc has undertaken to redeem the Aktia Real Estate Mortgage Bank shares held by POP Banks after the financial statements for 2016.

Bonum Bank Ltd, the issuer of the payment cards of POP Banks, and POP Bank Alliance Coop are Visa Europe's members (Principal Member and Associate Member, respectively). Authorised by the shareholders of the company, Visa Europe's Board of Directors has agreed on the selling of the company to the American Visa Inc. company. The approval of the authorities is required before this can be realised. The realisation of the sale is expected to be confirmed in the second quarter of 2016. Due to the ownership structure of Visa Europe, the capital gain to the POP Bank Group cannot be reliably estimated.

Impairment losses on available-for-sale financial assets 31 Dec. 2015

(EUR 1,000)	Debt securities	Shares and participations	Total
Impairment losses	376	5,683	6,059

Investment properties 31 Dec. 2015

(EUR 1,000)	2015
Acquisition cost	44,135
Accumulated depreciation and impairment	-8,634
Carrying amount	35,502

NOTE 12: Non-life insurance assets

(EUR 1,000)	2015
Investments	
Shares and participations	7,900
Bonds	16,512
Other assets	
Other receivables	
Direct insurance operations	13,034
Other receivables	164
Non-life insurance assets total	**37,610**

NOTE 13: Intangible assets

(EUR 1,000)	2015
Information systems	11,852
Other intangible assets	3,370
Incomplete intangible assets	617
Total intangible assets	**15,839**

The most significant intangible assets of the POP Bank Group are comprised of expenses resulting from the acquisition of non-life insurance and banking information systems. The undepreciated acquisition cost of the non-life insurance information system was EUR 8,885 thousand.

Intangible assets 31 Dec. 2015

(EUR 1,000)	Information systems	Other intangible assets	Incomplete intangible assets	Total
Acquisition cost	16,764	5,662	617	23,043
Accumulated depreciation and impairment	-4,912	-2,292	-	-7,204
Carrying amount	11,852	3,370	617	15,839

NOTE 14: Property, plant and equipment

(EUR 1,000)	2015
Owner-occupied properties	
Land and water	2,748
Buildings	34,780
Machinery and equipment	2,927
Other tangible assets	769
Property, plant and equipment total	**41,224**

Property, plant and equipment 31 Dec. 2015

(EUR 1,000)	Owner-occupied properties	Machinery and equipment	Other tangible assets	Total
Acquisition cost	58,987	17,726	928	77,641
Accumulated depreciation and impairment	-21,460	-14,799	-158	-36,417
Carrying amount	**37,527**	**2,927**	**769**	**41,224**

NOTE 15: Other assets

(EUR 1,000)	2015
Payment transfer receivables	65
Accrued income and prepaid expenses	
Interest	11,521
Other accrued income and prepaid expenses	1,259
Other	737
Other assets total	**13,582**

NOTE 16: Deferred taxes

(EUR 1,000)	2015
Tax assets	
Deferred tax assets	2,358
Income tax receivables	1,043
Total tax assets	**3,401**
Tax liabilities	
Deferred tax liabilities	24,844
Income tax liability	437
Total tax liabilities	**25,281**

Deferred tax assets

(EUR 1,000)	2015
Available-for-sale financial assets	1,332
Collective impairment	557
Advances received	31
Defined benefit pension plans	51
Approved tax losses	74
Consolidation	314
Total deferred tax assets	**2,358**

The companies belonging to the POP Bank Group have EUR 29,867 thousand of losses for which no deferred tax assets have been recognised. The losses will expire in 2021–2025.

Deferred tax liabilities

(EUR 1,000)	2015
Appropriations	21,891
Available-for-sale financial assets	2,035
Intangible assets	917
Total deferred tax liabilities	**24,844**

Notes to liabilities and equity capital

NOTE 17

Liabilities to credit institutions and customers

NOTE 18

Non-life insurance liabilities

NOTE 19

Debt securities issued to the public

NOTE 20

Supplementary cooperative capital

NOTE 21

Other liabilities

NOTE 22

Equity capital

NOTE 17: Liabilities to credit institutions and customers

(EUR 1,000)	2015
Liabilities to credit institutions	
Liabilities to central banks	16,611
Liabilities to credit institutions	
Repayable on demand	81,175
Not repayable on demand	14,996
Total liabilities to credit institutions	**112,783**
Liabilities to customers	
Deposits	
Repayable on demand	2,424,924
Not repayable on demand	903,469
Other financial liabilities	
Not repayable on demand	14,421
Total liabilities to customers	**3,342,813**
Total liabilities to credit institutions and customers	**3,455,596**

NOTE 18: Non-life insurance liabilities

(EUR 1,000)	2015
Insurance contract liabilities	21,889
Liabilities from direct insurance operations	692
Liabilities from reinsurance operations	369
Other	4,617
Total non-life insurance liabilities	**27,567**

Insurance contract liabilities

(EUR 1,000)	2015
Provision for unearned premiums	11,960
Provisions for unpaid claims	9,929
Total insurance contract liabilities	**21,889**

Insurance contract liabilities consist of insurance liability and provisions for unpaid claims. Premiums written include insurance premiums for the contract periods that have begun during the financial year. The portion of premiums written for the post-balance sheet date is recorded as provision for unearned premiums in the balance sheet. Unpaid claims are based on a collective provision proportioned both case-specifically and to previous insurance premium revenue and include indemnities for losses that have already occurred on the closing date but have not been paid yet and losses that have not yet been reported.

NOTE 19: Debt securities issued to the public

(EUR 1,000)	2015
Bonds	23,356
Other	
Certificates of deposit	832
Total debt securities issued to the public	**24,188**

NOTE 20: Supplementary cooperative capital

(EUR 1,000)	2015
Supplementary cooperative capital	58,231

In accordance with the national corporate legislation, the supplementary cooperative capital is included in the equity capital of each cooperative bank. In the IFRS financial statements, supplementary cooperative capital is classified as a liability as the cooperative banks do not have an unconditional right to refuse refunding the supplementary cooperative capital to a member. Interest paid on the supplementary contribution is presented in interest expenses.

The supplementary contribution is refunded within six months of the end of the financial year based on which the refund can be made for the first time. If the refund cannot be made in full based on the provisions of the Co-Operatives Act or the Co-Operative Bank Act, the refund may take place subsequently if it is possible based on the next three financial statements.

The supplementary cooperative contributions can be converted into POP Shares, which are classified as equity capital in IFRS financial statements.

More detailed information about POP Shares is provided in Note 22 on equity capital.

NOTE 21: Other liabilities

(EUR 1,000)	2015
Pension liabilities	253
Other liabilities	
Payment transfer liabilities	35,302
Accrued expenses	
Interest payable	5,367
Other accrued expenses	6,091
Other	
Liabilities on card transactions	3,598
Refunded cooperative capital	4,968
Refunded development fees	608
Other	868
Total other liabilities	**57,056**

The POP Bank Group's central institution POP Bank Alliance Coop has undertaken to refund the capital invested by the cooperative banks that have resigned from it in accordance with a separately agreed schedule. The commitment amounts to EUR 4,968 thousand, and it is recognised in other liabilities. The liability is estimated to fall due in 2016.

Bonum Bank, a member of the POP Bank Group, has undertaken to refund the amounts collected for the development of information systems for central bank activities and card business from the co-operative banks that have resigned from POP Bank Alliance Coop insofar as the banks will not use these services after their withdrawal from the information systems used by the POP Bank Group. The commitment amounts to EUR 608 thousand, and it is recognised in other liabilities. The liability is estimated to fall due in 2016.

NOTE 22: Equity capital

Total equity attributable to the owners of the POP Bank Group

(EUR 1,000)	2015
Cooperative capital, cooperative contributions	8,904
of which cancelled cooperative contributions	473
Cooperative capital, POP Shares	17,904
of which cancelled POP Shares	634
Restricted reserves	
Reserve fund	52,499
Reserves based on the Articles of Association/rules	1,163
Fair value reserve	
Available-for-sale financial assets	4,283
Non-restricted reserves	
Reserve for invested non-restricted equity	2,152
Other non-restricted reserves	95,984
Retained earnings	
Profit (loss) for previous financial years	230,611
Profit (loss) for the period	9,220
Total equity attributable to the owners of the POP Bank Group	**422,721**
Non-controlling interests	3,261
Total equity capital	**425,982**

COOPERATIVE CAPITAL AND CLASSIFICATION OF CONTRIBUTIONS AS CAPITAL EQUITY

The POP Bank Group's cooperative capital is composed of cooperative contributions and POP Shares.

Cooperative contributions

The capital equity of the POP Bank Group includes the cooperative contributions paid by the members of the member cooperative banks to the member cooperative banks, the payment of interest and refund of capital of which the bank has an unconditional right to refuse. The contribution conveys the member the right to participate in the governance and decision-making of the member cooperative bank.

On 31 December 2015, POP Banks had a total of 84 thousand members.

POP Shares

The POP Bank Group's equity capital also includes investments made by the members of the member cooperative banks in POP Shares issued by the member cooperative banks. POP Shares are a new equity instrument issued for the first time during the financial year 2015. In accordance with the rules, the cooperative bank has an unconditional right to refuse from the payment of interest on POP Shares and refund of capital.

The targeted interest rate on POP Shares is 2.25% or 2.5%. The interest to be paid is confirmed after the end of the financial year at the cooperative meeting according to the proposal of the Board of Directors. The interest rate objective can change annually. POP Shares do not convey voting rights or other rights to the member.

A cooperative contribution and POP Share may be refunded within 12 months after the end of the financial year when membership terminated or POP Share was cancelled. If the refund of the cooperative contribution or POP Share cannot be made in full based on the provisions of the Co-Operatives Act or the Co-Operative Bank Act, the refund may take place subsequently if it is possible based on the next three financial statements.

Supplementary cooperative contributions

The supplementary cooperative contributions included in equity capital in the cooperative banks' national financial statements are classified as a liability in the IFRS financial statements. The supplementary cooperative contributions can be converted into POP Shares, which are classified as equity capital in IFRS financial statements. More details on the supplementary cooperative contributions are provided in Note 20.

Restricted reserves

Restricted reserves include the reserve fund, fair value reserve and other restricted reserves. The reserve fund consists of profits transferred to it during previous periods and of the portion transferred to it from member cooperative banks' revaluation reserves and loan loss provisions. The reserve fund can be used to cover losses for which non-restricted equity is not sufficient.

The fair value reserve includes changes in the fair value of available-for-sale financial assets less deferred tax. The change in fair value may be positive or negative. The amounts recognised in the fair value reserve are transferred to the income statement, when the available-for-sale security is disposed of or an impairment loss is recognised on it.

Non-restricted reserves

Other non-restricted reserves consist of retained earnings based on the Articles of Association or other rules, or decisions taken by the general meeting or cooperative meeting. Other non-restricted reserves include the guarantee fund capital of POP Banks' guarantee fund.

Retained earnings

Retained earnings are earnings of Group entities accrued in previous financial years that have not been transferred to equity reserves or distributed to shareholders. Retained earnings also contain voluntary provisions and depreciation difference included in the separate financial statements of Group entities less deferred tax.

Other notes

NOTE 23
Collateral given and held

NOTE 24
Off-balance-sheet commitments

NOTE 25
Offsetting of financial assets and financial liabilities

NOTE 26
Fair values by valuation technique

NOTE 27
Pension assets and liabilities

NOTE 28
Operating leases

NOTE 29
Entities included in the POP Bank Group's financial statements

NOTE 30
Related party disclosures

NOTE 31
Events after the balance sheet date

NOTE 32
Transition to IFRS

NOTE 23: Collateral given and held

Collateral given

(EUR 1,000)	2015
Given on behalf of own liabilities and commitments	
Pledges	3,442
Mortgages	536
Other collateral to the Bank of Finland	27,553
Total collateral given	**31,531**

Collateral received

(EUR 1,000)	2015
Real estate collateral	2,651,496
Other	51,785
Guarantees received	53,865
Total collateral received	**2,757,146**

NOTE 24: Off-balance-sheet commitments

(EUR 1,000)	2015
Guarantees	24,508
Loan commitments	186,773
Total off-balance sheet commitments	**211,281**

NOTE 25: Offsetting of financial assets and financial liabilities

Financial assets subject to netting agreements which are not offset on the balance sheet 2015

(EUR 1,000)	Financial instruments	Security held as collateral	Cash held as collateral	Net amount
Derivative contracts	5,069	3,038	2,000	31
Total financial assets	**5,069**	**3,038**	**2,000**	**31**

Financial assets and financial liabilities are not offset on the balance sheet. The derivative contracts presented are associated with the possibility of offsetting the receivables and liabilities included in the contract based on ISDA contracts.

NOTE 26: Fair values by valuation technique

Items recurrently measured at fair value 31 December 2015

(EUR 1,000)	Level 1	Level 2	Level 3	Total	Carrying amount
Financial assets					
Measured at fair value through profit or loss					
Banking	-	-	3,383	3,383	3,383
Derivative contracts					
Banking	-	5,356	-	5,356	5,356
Available-for-sale financial assets					
Banking	463,754	94,675	30,959	589,388	589,388
Insurance	24,412	-	-	24,412	24,412
Other	12,418	-	-	12,418	12,418
Total financial assets	**500,583**	**100,032**	**34,342**	**634,957**	**634,957**

The "Other" item under available-for-sale financial assets includes the available-for-sale assets of other operations, which are comprised of investments of the POP Banks' guarantee fund.

Items measured at amortised cost 31 December 2015

(EUR 1,000)	Level 1	Level 2	Level 3	Total	Carrying amount
Financial assets					
Loans and receivables					
Banking	-	3,123,949	-	3,123,949	3,143,299
Non-financial assets					
Investment properties					
Banking	-	-	43,575	43,575	35,502
Total assets measured at amortised cost	**-**	**3,123,949**	**43,575**	**3,167,524**	**35,502**
Financial liabilities					
Other financial liabilities					
Banking	-	3,519,270	-	3,519,270	3,532,372
Total financial liabilities measured at amortised cost	**-**	**3,519,270**	**-**	**3,519,270**	**3,532,372**

Fair value determination of financial assets and financial liabilities

Financial assets are recorded in the balance sheet either at fair value or at amortised cost. The classification and measurement of financial instruments is described in more detail in Note 2 the POP Bank Group's accounting policies under IFRS.

Fair value hierarchies

Level 1 includes financial instruments that are measured on the basis of quotations obtained from liquid markets. A market is considered as liquid quotations are regularly available. This group includes all securities with publicly quoted prices.

Level 2 includes financial instruments measured using generally approved measurement techniques or models which are based on assumptions made on the basis of observable market prices. For example, the fair value of a financial instrument allocated to Level 2 may be based on the value derived from the market quotation of components of an instrument. This group includes interest derivatives and other instruments that are not traded in liquid markets.

Level 3 includes financial instruments and other assets that are not measured using market quotations or values determined on the basis of observable market prices using measurement techniques or models. The assumptions applied in the measurement techniques often involve insecurity. The fair value of assets allocated to Level 3 is often based on price information obtained from a third party. This group includes unlisted shares and funds and investment properties.

Transfers between fair value hierarchies

Transfers between hierarchy levels are considered to have taken place on the date of the occurrence of the event that caused the transfer or the date when the circumstances changed.

Sensitivity analysis of financial instruments at level 3

Available-for-sale financial assets 31 Dec. 2015

		Possible effect on earnings with assumptions	
(EUR 1,000)	Carrying amount	Positive	Negative
Banking	31,446	3,258	-3,258
Available-for-sale financial assets total	**31,446**	**3,258**	**-3,258**

The sensitivity of financial assets recurrently measured at fair value at level 3 has been calculated for interest rate linked investments by assuming a 1 percentage points change in interest rates and for other investments by assuming the market price of the security to change by 15%.

The POP Bank Group does not have assets measured non-recurrently at fair value.

NOTE 27: Pension assets and liabilities

In addition to statutory cover (TyEL), the POP Bank Group has defined benefit pension schemes for the management and persons who have been members of the OP Bank Group Pension Fund. The retirement age of those covered by these insurance policies varies from 60 to 65 years.

In the pension scheme, the amount of assets describes the part of the obligation for which the insurance company is liable, and it is calculated using the same discount rate as the liability. The assets included in the scheme include 100% acceptable insurance policies. Because the liabilities have been insured, the company is not liable for significant risks. The company remains primarily liable for increases in pensions tied to the employment pension index and the effect of changes in the discount rate and pay increases on the net liabilities.

(EUR 1,000)	2015
Present value of obligation	19,938
Fair value of plan assets	19,685
Net liability in balance sheet/asset (-) 31 December	**253**
Actuarial assumptions	
Discount rate, %	1.90%
Pay development, %	1.50%
Pension increase, %	1.67%
Inflation rate, %	1.43%

Sensitivity analysis - net liabilities

The table below presents the effects of the assumed changes on net liabilities. In calculating the sensitivities, the other assumptions are assumed to remain unchanged.

(EUR 1,000)	2015
Change of +0.5% in discount rate	-16
Change of -0.5% in discount rate	18
Pay development +0.5%	133
Pay development -0.5%	-132
Change of +0.5% in pension increase	1,142
Change of -0.5% in pension increase	-1,079

Duration based on the weighted average of the obligation is 12.5 years.

The POP Bank Group expects to contribute approximately EUR 447 thousand to defined benefit plans in 2016.

The POP Bank Group has not yet made decisions regarding the potential effects of the reform of the statutory pension scheme, which has been approved by the Parliament of Finland and will come into force in 2017, on supplementary pensions.

NOTE 28: Operating leases

Group as lessee, future minimum lease payments

(EUR 1,000)	2015
Less than one year	492
Between one and five years	1,580
more than five years	1,045
Future minimum lease payments total	**3,117**

The POP Bank Group has primarily leased business premises and equipment used in business operations.

Group as lessor, future minimum lease payments receivable

(EUR 1,000)	2015
Less than one year	427
Between one and five years	86
more than five years	81
Future minimum lease payments receivable total	**594**

The POP Bank Group has leased out e.g. residential and business premises it owns.

The minimum rents payable include the minimum rents payable based on irrevocable rental agreements. The non-cancellable portion of leases in effect until further notice is the lease in accordance with the term of notice.

NOTE 29: Entities included in the POP Bank Group's financial statements

The structure of the POP Bank Group is described in Note 1 the POP Bank Group and the scope of the first IFRS Financial Statements.

Technical parent company

The table below presents the member banks comprising the technical parent company of the POP Bank Group and their balance sheet total (FAS).

Name of the bank	Domicile	Balance sheet 31 Dec. 2015 (EUR 1,000)
Hannulan Osuuspankki	Hankasalmi	28,615
Honkajoen Osuuspankki	Honkajoki	52,179
Isojoen Osuuspankki	Isojoki	56,816
Jämijärven Osuuspankki	Jämijärvi	56,814
Kannonkosken Osuuspankki	Kannonkoski	49,529
Keuruun Osuuspankki	Keuruu	172,669
Konneveden Osuuspankki	Konnevesi	106,510
Kosken Osuuspankki	Koski Tl	169,447
Kurikan Osuuspankki	Kurikka	261,682
Kyrön Seudun Osuuspankki	Pöytyä	87,353
Kyrönmaan Osuuspankki	Isokyrö	229,673
Kyyjärven Osuuspankki	Kyyjärvi	64,423
Lammin Osuuspankki	Hämeenlinna	152,019
Lanneveden Osuuspankki	Saarijärvi	42,624
Lappajärven Osuuspankki	Lappajärvi	106,782
Lapuan Osuuspankki	Lapua	216,916
Lavian Osuuspankki	Pori	64,083
Liedon Osuuspankki	Lieto	112,929
Nivalan Järvikylän Osuuspankki	Nivala	68,462
Piikkiön Osuuspankki	Kaarina	100,819
Pohjanmaan Osuuspankki	Kauhava	432,585
Reisjärven Osuuspankki	Reisjärvi	124,449
Sievin Osuuspankki	Sievi	121,295
Siilinjärven Osuuspankki	Siilinjärvi	283,828
Suupohjan Osuuspankki	Kauhajoki	775,983
Tiistenjoen Osuuspankki	Lapua	29,865

Subsidiaries and associates consolidated in the POP Bank Group

	Domicile	Group's holding 2015
POP Bank Alliance Coop (central institution of the Group)	Helsinki	77.9%
Bonum Bank Ltd (wholly-owned subsidiary of POP Bank Alliance Coop)	Espoo	77.9%
POP Banks' guarantee fund	Helsinki	78.3%
POP Holding Ltd	Helsinki	98.0%
Finnish P&C Insurance Ltd (wholly-owned subsidiary of POP Holding Ltd)	Espoo	98.0%
Optium Oy	Tampere	96.7%
Pajker AS	Audru, Estonia	67.5%
White Beach Development AS (subsidiary of Pajker AS)	Audru, Estonia	72.5%

Joint arrangements

The Group's holdings of less than 100% in mutual real estate companies and housing companies re treated as joint operations in the POP Bank Group's financial statements. Both owner-occupied properties and investment properties are managed via the companies.

Joint arrangements consolidated in the POP Bank Group (key real estate companies)

	Group's holding 2015
Asunto Oy Keuruun Tarhiansuu	36.9%
Asunto Oy Tampereen Kauppakatu 14	23.9%
Asunto Oy Tampereen Koskilehmus	23.9%
Kiinteistö Oy Kosken Pankkitalo	53.6%
Kiinteistö Oy Lehto-Center	41.0%
Kiinteistö Oy Liedon Torinkulma	62.5%
Kiinteistö Oy Riihikuiva	82.7%
Kiinteistö Oy Siilinjärven Pankkikeskus	66.5%

Holdings of the banks that have resigned from POP Bank Alliance Coop in the POP Bank Group

Eight cooperative banks resigned from POP Bank Alliance Coop during 2015.

The banks that resigned from POP Bank Alliance Coop hold 22.1% of the cooperative capital of POP Bank Alliance Coop. The resigned banks thereby have an indirect holding in all of the subsidiaries and associated companies of POP Bank Alliance Coop and companies owned by them. Moreover, the resigned banks are members of POP Banks' guarantee fund. The resigned banks account for 21.7% of the equity capital of POP Banks' guarantee fund.

POP Bank Alliance Coop has undertaken to refund the contributions paid by the banks that have resigned. The refund is estimated to take place during the financial year 2016. If POP Bank Alliance Coop is not able to pay the refunds of the cooperative capital, the POP Banks constituting the amalgamation of POP Banks have undertaken to pay the refund. The portion of the cooperative capital of POP Bank Alliance Coop to be refunded due to the commitment is presented as a liability on the balance sheet of the POP Bank Group. The financial rights of the resigned banks expire once the capital has been refunded.

Non-controlling interests in subsidiaries

The non-controlling interests of the subsidiaries of the POP Bank Group are primarily banks that have resigned from POP Bank Alliance Coop and are not members of the amalgamation of POP Banks. The non-controlling interest presented on the balance sheet of the POP Bank Group will decrease significantly in the financial year 2016 once POP Bank Alliance Coop has refunded the cooperative contributions paid by the resigned banks. The tables below present financial information about the subsidiaries with significant non-controlling interests on the closing date.

The presented financial statements have been adjusted to comply with the POP Bank Group's accounting policies. Eliminations of internal items between entities consolidated in the Group have not been taken into account in the information. POP Bank Alliance Coop's wholly-owned subsidiary Bonum Bank Ltd has been consolidated in the POP Bank Alliance Coop using the acquisition method and the participation in the POP Holding group corresponding to its holding using the equity method. POP Holding Ltd's wholly-owned subsidiary Finnish P&C Insurance Ltd has been consolidated in the POP Holding group. Inter-group items of the presented groups have been eliminated.

Name of the company	Non-controlling interests 2015	Non-controlling interests' share of equity capital 2015
POP Banks' guarantee fund	21.7%	2,771
POP Bank Alliance group	22.1%	-267
POP Holding group	2.0%	182

The share of cooperative capital refunded to banks that have resigned from POP Bank Alliance Coop is not presented on the balance sheet as non-controlling interest. The amount to be refunded, EUR 4,968 thousand, is presented under other liabilities as the POP Bank Group is subject to an irrevocable commitment to refund the cooperative capital.

Balance sheet in summary 31 December 2015

	POP Banks' guarantee fund	POP Bank Alliance group	POP Holding group
Cash and receivables	50	251,242	3,810
Investments	12,818	172,086	-
Other assets	26	5,926	9,164
Total assets	**12,894**	**429,254**	**12,974**
Liabilities	136	412,911	41,560
Net assets	**12,758**	**16,343**	**9,024**
Net assets attributable to non-controlling interests	2,771	-267	182
Cash and cash equivalents at the end of the period	50	196,392	3,810

The sphere of influence of the POP Bank Group does not include entities considered structured entities.

Significant restrictions

POP Banks' guarantee fund is associated with significant restrictions concerning the right of POP Banks to have access to the assets of the guarantee fund. The assets of the guarantee fund can only be used for the purposes specified in the rules of the fund. The guarantee fund capital of POP Banks' guarantee fund has been recognised in other reserves in the Group's equity capital. The retained earnings of the guarantee fund are included in the Group's retained earnings.

The purpose of POP Banks' guarantee fund has been to ensure the operating stability of its member banks. The operation of the guarantee fund is not intended to be continued after the establishment of the amalgamation of deposit banks, and the Board of Directors of the guarantee fund decided on 15 December 2015 to engage in preparations for the dissolution of the guarantee fund. Upon the dissolution of the guarantee fund, the assets of the fund will be refunded to its member banks. The share of the banks included in the amalgamation of POP Banks of the equity capital of the guarantee fund on 31 December 2015 is EUR 9,987 thousand. The equity capital of the guarantee fund is EUR 12,758 thousand. Equity capital has been calculated in accordance with the accounting policies applied in the Group's financial statements.

NOTE 30: Related party disclosures

The related parties of the POP Bank Group include the members of the Supervisory Board and Board of Directors of POP Bank Alliance Coop and their close relatives. Related parties also include the managing director and deputy managing director of POP Bank Alliance Coop. Related parties also include companies over which the above-mentioned persons exercise control.

Transactions with key persons in management and other related parties are presented below. Key persons in management include members of the Supervisory Board and the Board of Directors and the managing director and deputy managing director of POP Bank Alliance Coop.

Related-party transactions

(EUR 1,000)	Key persons in management 2015	Other 2015
Assets		
Loans	2,622	924
Liabilities		
Deposits	1,620	352
Off-balance-sheet commitments		
Loan commitments	47	1
Guarantees	504	342

NOTE 31: Events after the balance sheet date

POP Banks sold all of the shares in its wholly-owned investment service company Optium Oy to UB Asset Management Ltd on 8 February 2016.
The share transaction will not have a significant effect on the earnings for 2016.

NOTE 32: Transition to IFRS

The POP Bank Group is a new legal entity formed when the amalgamation of POP Banks started operations on 31 December 2015. The Group has not previously prepared consolidated financial statements. More details on the formation of the Group are provided in Note 1.

The IFRS financial statements have been prepared by consolidating the separate financial statements of the companies included in the POP Bank Group prepared pursuant to the national accounting and financial statement standards so that inter-company items have been eliminated. The balance sheet and income statement items have been adjusted to be presented in accordance with IFRS. The member cooperative banks have applied IAS 39 Financial Instruments: Recognition and Measurement in accordance with the Financial Supervisory Authority's regulation 1/2013 *on the accounting, financial statement and Board of Directors' report in the financial sector*. Of the member credit institutions, Bonum Bank has prepared its financial statements in accordance with IFRS.

Because the POP Bank Group has not previously prepared consolidated financial statements, it is not possible to present a reconciliation between the FAS and IFRS balance sheets.

The POP Bank Group has utilised the exemptions allowed by IFRS 1 First-time Adoption of International Financial Reporting Standards to first-time adopters not to apply IFRS 3 Business Combinations retrospectively to business combinations that have taken place before 1 January 2014. The Group has not acquired subsidiaries after 1 January 2014.

The POP Bank Group's balance sheet 31 December 2015

(EUR 1,000)	reference	31 Dec. 2015
Assets		
Liquid assets		172,899
Financial assets at fair value through profit or loss		3,383
Loans and receivables from credit institutions		129,327
Loans and receivables from customers		3,013,972
Derivative contracts	a)	5,356
Investment assets	b)	637,308
Non-life insurance assets	c)	37,610
Intangible assets	d)	15,839
Property, plant and equipment	e)	41,224
Other assets		13,582
Tax assets	f)	3,401
Total assets		**4,073,900**
Liabilities		
Liabilities to credit institutions		112,783
Liabilities to customers		3,342,813
Non-life insurance liabilities		27,567
Debt securities issued to the public		24,188
Supplementary cooperative capital	g)	58,231
Other liabilities		57,056
Tax liabilities	f)	25,281
Total liabilities		**3,647,918**
Equity capital		
Cooperative capital		
Cooperative contributions		8,904
POP Shares		17,904
Total cooperative capital		**26,809**
Reserves		156,081
Retained earnings	(j)	239,831
Total equity attributable to the owners of the POP Bank Group		**422,721**
Non-controlling interests		3,261
Total equity capital		**425,982**
Total liabilities and equity capital		**4,073,900**

Effect of the application of IFRS on the balance sheet of the POP Bank Group 31 December 2015

The most significant adjustments to the balance sheet related to the application of IFRS on 31 December 2015 are presented below.

a) Derivative contracts

Counterparty risk (CVA) was taken into consideration in the measurement of derivative contracts in accordance with IFRS 13 Fair Value Measurement. The measurement result decreased the value of the derivative contracts on 31 December 2015 by a total of EUR 288 thousand.

b) Investment assets

In accordance with IAS 40 Investment property, the acquisition costs of investment properties have been adjusted to comply with IAS 16 Property, Plant and Equipment. As the result of adjustments to value increases concerning investment property, the balance sheet value of investment property on 31 December 2015 decreased by EUR 1,336 thousand.

Fair value measurements made to the financial assets of POP Banks' guarantee fund in accordance with IAS 39 Financial Instruments: Recognition and Measurement increased the balance sheet value of investment property on 31 December 2015 by a total of EUR 654 thousand.

c) Non-life insurance assets

The classification and measurement of non-life insurance investment property in accordance with IAS 39 decreased the non-life insurance assets on the balance sheet by EUR 77 thousand on 31 December 2015.

d) Intangible assets

The intangible assets acquired by the POP Bank Group are information systems implemented by the POP Bank Group's partners, over which the Group has control as referred to in IAS 38 Intangible assets. The most important of these partners is Samlink Ltd. Under FAS, development costs of information systems were recognised in the income statement. Under IAS 38, they must be capitalised. The most significant adjusted intangible assets consist of systems used for retail banking, central bank services and card business.

The POP Bank Group harmonised the capitalisation principles of intangible assets in the financial statements dated 31 December 2015. Due to retrospective adjustments to intangible assets acquired by the POP Bank Group, the balance sheet value of intangible assets on 31 December 2015 increased by EUR 3,312 thousand and retained earnings by EUR 2,650 thousand.

Bonum Bank has undertaken to refund the amounts collected for the development of information systems for central bank activities and card business from the co-operative banks that have resigned from POP Bank Alliance Coop. The amounts will be refunded insofar as the banks will not use these services after their withdrawal from the information systems used by the POP Bank group. These commitments increased the other liabilities on the balance sheet on 31 December 2015 by EUR 608 thousand. The liability is estimated to fall due in 2016.

e) Property, plant and equipment

In accordance with IAS 40 Investment property, the acquisition costs of property, plant and equipment have been adjusted to comply with IAS 16 Property, Plant and Equipment. As the result of adjustments to value increases concerning real property, the balance sheet value of property, plant and equipment on 31 December 2015 decreased by EUR 2,957 thousand.

f) Deferred taxes

The transition to IFRS increased the deferred tax assets and liabilities. The adjustments recognised on the balance sheet on 31 December 2015 are presented below.

Deferred tax assets

(EUR 1,000)	31 Dec. 2015
Employee benefits	51
Financial instruments	114
Intangible assets	31
Total deferred tax assets	**195**

Deferred tax liabilities

(EUR 1,000)	31 Dec. 2015
Financial instruments	180
Intangible assets	662
Total deferred tax liabilities	**842**

g) Supplementary cooperative capital

The classification of the supplementary cooperative capital of the member cooperative banks included in the POP Bank Group in accordance with IAS 32 Financial Instruments: Presentation decreased the cooperative capital on 31 December 2015 by EUR 50,009 thousand and correspondingly increased liabilities by EUR 50,009 thousand. The interest expense accrued to the cooperative capital classified as a liability, EUR 872 thousand, and surplus refunds paid as POP Bonuses, EUR 145 thousand, were recognised as a liability. A total of EUR 1,017 thousand was recognised as a deduction from earnings.

h) Employee benefits

The POP Bank Group has supplementary pension schemes interpreted as defined benefit schemes, and they have been treated in accordance with IAS 19 Employee Benefits. The present value of the plan obligations on the closing date less the fair value of plan assets is presented as a liability in the IFRS financial statements. The pension liability recognised on the balance sheet of the POP Bank Group on 31 December 2015 was EUR 253 thousand.

i) Consolidated entities

The consolidated financial statements of the group comprised of Pohjanmaan Osuuspankki's Estonian subsidiary Pajker AS, engaged in the golf business, and White Beach Development AS were consolidated in the IFRS financial statements of the POP Bank Group. In addition, 8 real estate entities were consolidated as joint arrangements in accordance with IFRS 11 Joint Arrangements using proportionate consolidation.

The consolidation of Pajker Group decreased the balance sheet value of investment assets on 31 December 2015 by EUR 4,819 thousand and increased the balance sheet value of property, plant and equipment by EUR 2,017 thousand. The effect of the consolidation of Pajker Group on the POP Bank Group's capital equity on 31 December 2015 was EUR -3,497 thousand.
The consolidation of joint arrangements increased the property, plant and equipment and investment property on the balance sheet on 31 December 2015 by a total of EUR 483 thousand.

j) Equity capital

The effect of the adoption of IFRS on the POP Bank Group's capital equity is presented below.

(EUR 1,000)	31 Dec. 2015
Reclassification of supplementary cooperative capital from cooperative capital to liabilities	-50,009
Adjustment of interest accrued on the supplementary cooperative capital and refund of surplus from retained earnings	-1,017
Adjustments of value increases from investment property	-1,336
Adjustments of value increases from property, plant and equipment	-2,957
Employee benefits	-202
Adjustments to intangible assets	2,650
Adjustments to measurements of financial instruments	272
Consolidation of Pajker Group	-3,497
Consolidation of real estate entities as joint arrangements	-1,801
Total change in capital equity	**-57,896**

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 1.

Information pursuant to the EU's Capital Requirements Regulation No 575/2013 about the capital adequacy of the amalgamation of POP Banks is presented in Notes 33–47 (Pillar III disclosures). The information is based on the capital adequacy of the amalgamation of POP Banks, so the presented information is not directly comparable with the other figures pertaining to the POP Bank Group presented in the balance sheet.

Pillar III disclosure requirements are also presented in Note 4 on risk and capital adequacy management and Note 3 on governance and management systems. The disclosure requirements concerning remuneration are presented in Note 3 on governance and management systems and Note 48.17 on employee expenses.

The amalgamation of POP Banks does not publish information about counterparty risk pursuant to article 439 of the EU's Capital Requirements Regulation. The Board of Directors of the central institution has considered in its materiality assessment that information concerning counterparty risk 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.

NOTE 33: Summary of capital adequacy

(EUR 1,000)	2015
Own funds	
Common Equity Tier 1 capital before deductions	461,631
Deductions from Common Equity Tier 1 capital	-6,089
Total Common Equity Tier 1 capital (CET1)	**455,542**
Additional Tier 1 capital before deductions	10,545
Deductions from Additional Tier 1 capital	0
Additional Tier 1 capital (AT1)	**10,545**
Tier 1 capital (T1 = CET1 + AT1)	**466,087**
Tier 2 capital before deductions	3,164
Deductions from Tier 2 capital	0
Total Tier 2 capital (T2)	**3,164**
Total capital (TC = T1 + T2)	**469,251**
Total capital requirement	**180,228**
of which the share of credit risk	163,067
of which the share of credit valuation adjustment risk (CVA)	288
of which the share of market risk (exchange rate risk)	1,991
of which the share of operational risk	14,882
Fixed additional capital buffer according to the Act on Credit Institutions (2.5%)	**56,321**
Common Equity Tier 1 capital (CET1) in relation to risk-weighted items (%)	20.2%
Tier 1 capital (T1) in relation to risk-weighted items (%)	20.7%
Total Capital (TC) in relation to risk-weighted items (%)	20.8%
Leverage ratio	
Tier 1 capital (T1)	466,087
Total exposures	4,283,948
Leverage ratio, %	10.9%

NOTE 34: Own funds by class

	(EUR 1,000)	(A) Amount at disclosure date bank	(B) Regulation (EU) n:o 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 capital (CET1): instruments and reserves			
1	Capital instruments and the related share premium accounts	26,572	Article 26(1), Articles 27, 28 and 29, the EBA's list Article 26(3)	-
	of which: cooperative capital	8,668		-
	of which: POP Shares	17,904		-
2	Retained earnings	253,799	Article 26(1)(c)	-
3	Accumulated items of other comprehensive income (and other reserves, also covers unrealised profits and losses pursuant to applicable financial reporting standards)	146,110	Article 26(1)	-
3a	Fund for general banking risk		Article 26(1)(f)	-
4	The amount of qualified items referred to in Article 484(3) and the related share premium accounts that are gradually eliminated from CET1	35,151	Article 483(2)	15,065
	Public sector capital investments that are permitted to continue until 1 January 2018	-	Article 483(2)	-
5	Minority interests (amount that may be included in the consolidated Common Equity Tier 1 capital (CET1))	-	Articles 84, 479 and 480	-
5a	Profits accumulated in the interim financial period, confirmed by an independent party, from which all foreseeable costs or dividends have been deducted	-	Article 26(2)	-
6	**Common Equity Tier 1 capital (CET1) before statutory adjustments**	**461,631**		**15,065**
	Common Equity Tier 1 capital (CET1): statutory adjustments			
7	Other value adjustments (negative amount)	-	Article 34, Article 105	-
8	Intangible assets (from which the related tax liabilities have been deducted) (a negative amount)	-6,089	Article 36(1)(b), Article 37, Article 472(4)	-

10	Deferred tax assets that rely on future profitability, excluding those that arise as a result of temporary differences (from which the related tax liabilities have been deducted, provided the conditions of Article 38(3) are met) (a negative amount)	-	Article 36(1)(c), Article 38, Article 472(5)	-
11	Items in the fair value reserves related to gains or losses on cash flow hedges	-	Article 33(1)(a)	-
12	Negative amounts resulting from the calculation of expected loss amounts	-	Article 36(1)(d), Article 40, Article 159, Article 472(6)	-
13	Any increase in its equity that results from securitised assets (a negative amount)	-	Article 32(1)	-
14	Gains or losses on liabilities that are valued at fair value that result from changes in the own credit standing of the institution	-	Article 33(b)	-
15	Defined benefit pension fund assets (a negative amount)	-	Article 36(1)(e), Article 41, Article 472(7)	-
16	Direct and indirect holdings by an institution of own Common Equity Tier 1 (CET1) instruments (a negative amount)	-	Article 36(1)(f), Article 42, Article 472(8)	-
17	Holdings of the Common Equity Tier 1 (CET1) instruments of financial sector entities where those entities have a reciprocal cross holding with the institution that are considered to have been designed to inflate artificially the own funds of the institution (a negative amount)	-	Article 36(1)(g), Article 44, Article 472(9)	-
18	Direct and indirect holdings by the institution of Common Equity Tier 1 (CET1) instruments of financial sector entities where the institution does not have a significant investment in those entities (the amount that exceeds the threshold value of 10% and from which acceptable short positions have been deducted) (a negative amount)	-	Article 36(1)(h), Articles 43, 45 and 46, Article 49(2 and 3), Article 79, Article 472(10)	-
19	Direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 (CET1) instruments of financial sector entities where the institution has a significant investment in those entities (the amount that exceeds the threshold value of 10% and from which acceptable short positions have been deducted) (a negative amount)	-	Article 36(1)(i), Articles 43, 45 and 47, Article 48(1)(b), Article 49(1–3), Articles 79 and 470, Article 472(11)	-
21	Deferred tax assets that arise from temporary differences (the amount that exceeds the threshold value of 10% and from which the associated tax liabilities have been deducted, provided the conditions of Article 38(3) are met (a negative amount)		Article 36(1)(c), Article 38, Article 48(1)(a), Article 470, Article 472(5)	-

22	The amount that exceeds the threshold value of 15% (a negative amount)		Article 48(1)	
23	of which: the direct and indirect holdings by the institution of the Common Equity Tier 1 (CET1) instruments of financial sector entities where the institution has a significant investment in those entities		Article 36(1)(i), Article 48(1)(b) Article 470, Article 472(11)	
26	Statutory adjustments to Common Equity Tier 1 capital (CET1) concerning the amount to which the treatment prior to the Solvency Regulation is applied	-		-
26a	Statutory adjustments related to unrealised gains and losses in accordance with Articles 467 and 468	-		-
	of which: unrealised loss filter 1	-	Article 467	-
	of which: unrealised gain filter 1	-	Article 468	-
26b	The amount required to be deducted from or added to Common Equity Tier 1 capital (CET1) due to the additional filters and deductions that were required prior to the Solvency Regulation	-	Article 481	-
27	The amount of items required to be deducted from Additional Tier 1 (AT1) items that exceed the Additional Tier 1 capital (AT1) of the institution (a negative amount)	-	Article 36(1)(j)	-
28	**Total statutory adjustments to Common Equity Tier 1 capital (CET1)**	**-6,089**		**-**
29	**Common Equity Tier 1 capital (CET1)**	**455,542**		**15,065**
	Additional Tier 1 capital (AT1): instruments			
30	Capital instruments and the related share premium accounts	-	Articles 51 and 52	-
31	of which: classified as equity in accordance with the applicable financial reporting standards	-		-
32	of which: classified as liabilities in accordance with the applicable financial reporting standards	-		-
33	The amount of qualified items referred to in Article 484(4) and the related share premium accounts that are gradually eliminated from AT1	10,545	Article 486(3)	4,519
	Public sector capital investments that are permitted to continue until 1 January 2018	-	Article 486(3)	-
34	Qualifying Tier 1 capital (T1) issued by subsidiaries and held by third parties that is included in consolidated Additional Tier 1 capital (AT1) (including minority interests that were not included in row 5)	-	Articles 85, 86 and 480	-
35	of which: instruments issued by subsidiaries that are gradually eliminated	-	Article 486(3)	-
36	**Additional Tier 1 capital (AT1) before statutory adjustments:**	**10,545**		**4,519**

	Additional Tier 1 capital (AT1): statutory adjustments			
37	Direct and indirect holdings by the institution of own Additional Tier 1 capital (AT1) instruments (a negative amount)	-	Article 52(1)(b), Article 56(a), Article 57, Article 475(2)	-
38	Holdings of the Additional Tier 1 (AT1) instruments of financial sector entities with which the institution has reciprocal cross holdings that are considered to have been designed to inflate artificially the own funds of the institution (a negative amount)	-	Article 56(b), Article 58, Article 475(3)	-
39	Direct and indirect holdings by the institution of the Additional Tier 1 (AT1) instruments of financial sector entities where the institution does not have a significant investment in those entities (the amount that exceeds the threshold value of 10% and from which acceptable short positions have been deducted) (a negative amount)	-	Article 56(c), Articles 59, 60 and 79, Article 475(4)	-
40	Direct and indirect holdings by the institution of the Additional Tier 1 (AT1) instruments of financial sector entities where the institution has a significant investment in those entities (the amount that exceeds the threshold value of 10% and from which acceptable short positions have been deducted) (a negative amount)	-	Article 56(d), Articles 59, 60 and 79, Article 475(4)	-
41	Statutory adjustments to Additional Tier 1 capital (AT1) concerning amounts to which the treatment prior to the Solvency Regulation and the treatment of the transitional period are applied before they are eliminated in accordance with Regulation (EU) No 575/2013 (i.e. residual amounts in accordance with the Solvency Regulation)	-		-
41a	Residual amounts required to be deducted from Additional Tier 1 capital (AT1) that are associated with the deductions made from Common Equity Tier 1 capital during the transitional period in accordance with Article 472 of Regulation (EU) No 575/2013	-	Article 472, Article 472(3)(a), Article 472(4 and 6), Article 472(8)(a), Article 472(9), Article 472(10)(a), Article 472(11)(a)	-
41b	Residual amounts required to be deducted from Additional Tier 1 capital (AT1) that are associated with the deductions made from Tier 2 capital (T2) during the transitional period in accordance with Article 475 of Regulation (EU) No 575/2013	-	Article 477, Article 477(3), Article 477(4)(a)	-
41c	The amount required to be deducted from or added to Additional Tier 1 capital (AT1) due to the additional filters and deductions that were required prior to the Solvency Regulation	-	Articles 467, 468 and 481	-
42	The amount of items required to be deducted from Tier 2 (T2) items that exceed the Tier 2 capital (T2) of the institution (a negative amount)	-	Article 56(e)	-
43	**Total statutory adjustments to Additional Tier 1 capital (AT1)**	**-**		**-**

44	**Additional Tier 1 capital (AT1)**	**10,545**		**4,519**
45	**Tier 1 capital (T1=CET1+AT1)**	**466,087**		**19,584**
	Tier 2 capital (T2): Instruments and provisions			
46	Capital instruments and the related share premium accounts	-	Articles 62 and 63	-
47	The amount of items meeting the conditions referred to in Article 484(5) and the associated share premium accounts that are gradually eliminated from T2	3,164	Article 486(4)	1,356
	Public sector capital investments that are permitted to continue until 1 January 2018	-	Article 483(4)	-
48	Qualifying own funds instruments issued by subsidiaries and held by third parties that are included in consolidated Tier 2 capital (T2) (including minority interests and Additional Tier 1 capital (AT1) instruments that are not included in row 5 or 34)	-	Articles 87, 88 and 480	-
49	of which: instruments issued by subsidiaries that are gradually eliminated	-	Article 486(4)	-
50	Credit risk adjustments	-	Article 62(c and d)	-
51	**Tier 2 capital (T2) before statutory adjustments**	**3,164**		**1,356**
	Tier 2 capital (T2): statutory adjustments			
52	The direct and indirect holdings by the institution of own Tier 2 (T2) instruments and subordinated loans (a negative amount)	-	Article 63(b)(i), Article 66(a), Article 67, Article 477(2)	-
53	Holdings of the Tier 2 (T2) instruments and subordinated loans of financial sector entities with which the institution has reciprocal cross holdings that are considered to have been designed to inflate artificially the own funds of the institution (a negative amount)	-	Article 66(b), Article 68, Article 477(3)	-
54	Direct and indirect holdings by the institution of the Tier 2 (T2) instruments and subordinated loans of financial sector entities, where an institution does not have a significant investment in those entities (the amount that exceeds the threshold value of 10% and from which acceptable short positions have been deducted) (a negative amount)	-	Article 66(c), Articles 69, 70 and 79, Article 477(4)	-
54a	Of which new holdings to which the transitional arrangement is not applied	-		-
54b	Of which holdings that already existed before 1 January 2013 and to which the transitional arrangement is applied.	-		-
55	Direct and indirect holdings by the institution of the Tier 2 (T2) instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (the amount from which acceptable short positions have been deducted) (a negative amount)	-	Article 66(d), Articles 69 and 79, Article 477(4)	-

56	Statutory adjustments to Tier 2 capital (T2) concerning amounts to which the treatment prior to the Solvency Regulation and the treatment of the transitional period are applied before they are eliminated in accordance with Regulation (EU) No 575/2013 (i.e. residual amounts in accordance with the Solvency Regulation)	-		-
56a	Residual amounts required to be deducted from the Tier 2 capital (T2) that are associated with the deductions made from the Common Equity Tier 1 capital during the transitional period in accordance with Article 472 of Regulation (EU) No 575/2013	-	Article 472, Article 472(3)(a), Article 472(4 and 6), Article 472(8)(a), Article 472(9), Article 472(10)(a), Article 472(11)(a)	-
	of which items to be specified by rows, e.g. material net losses accumulated in the interim financial period, intangible assets, inadequate provisions for expected losses, etc.	-		-
56b	Residual amounts required to be deducted from the Tier 2 capital (T2) that are associated with the deductions made from the Additional Tier 1 capital (AT1) during the transitional period in accordance with Article 475 of Regulation (EU) No 575/2013	-	Article 475, Article 475(2)(a), Article 475(3), Article 475(4)(a)	-
	Of which items to be specified by rows, e.g. reciprocal cross holdings of the Additional Tier 1 capital (AT1), direct holdings by the institution of the capital of other financial sector entities where the institution does not have a significant investment in those entities, etc.	-		-
56c	The amount required to be deducted from or added to Tier 2 capital (T2) due to the additional filters and deductions that were required prior to the Solvency Regulation	-	Articles 467, 468 and 481	-
57	**Total statutory adjustments to Tier 2 capital (T2)**	**-**		**-**
58	**Tier 2 capital (T2)**	**3,164**		**1,356**
59	**Total Capital (TC=T1+T2)**	**469,251**		**20,940**
59a	Risk-weighted assets concerning amounts to which the treatment prior to the Solvency Regulation and the treatment of the transitional period are applied before they are eliminated in accordance with Regulation (EU) No 575/2013 (i.e. residual amounts in accordance with the Solvency Regulation)	-		-

60	**Total risk-weighted assets**	**2,252,853**		-
	Capital ratios and buffers			
61	Common Equity Tier 1 capital (CET1) (as a percentage of the total risk exposure amount)	20.2%	Article 92(2)(a), Article 465	
62	Tier 1 capital (T1) (as a percentage of the total risk exposure amount)	20.7%	Article 92(2)(b), Article 465	
63	Total Capital (as a percentage of the total risk exposure amount)	20.8%	Article 92(2)(c)	
	Capital ratios and buffers			
72	Direct and indirect holdings by the institution of the capital of financial sector entities where the institution does not have a significant investment in those entities (the amount which is lower than the threshold value of 10% and from which acceptable short positions have been deducted)	15,619	Article 36(1)(h), Articles 45 and 46, Article 56(c), Articles 59 and 60, Article 66(c), Articles 69 and 70	-
73	Direct and indirect holdings by the institution of the Common Equity Tier 1 (CET1) instruments of financial sector entities where the institution has a significant investment in those entities (the amount that is lower than the threshold value of 10% and from which acceptable short positions have been deducted)	32,493	Article 36(1)(i), Articles 45 and 48	-
	Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in the Tier 2 capital (T2) in respect of exposures subject to standardised approach is applied (prior to the application of the cap)	-	Article 62	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	Article 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	35,151	Article 484(3), Article 486 (2 and 5)	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	15,065	Article 484(3), Article 486 (2 and 5)	-
82	Current cap on AT1 instruments subject to phase out arrangements	10,545	Article 484(4), Article 486 (3 and 5)	-

83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	4,519	Article 484(4), Article 486 (3 and 5)	-
84	Current cap on T2 instruments subject to phase out arrangements	3,164	Article 484(5), Article 486 (4 and 5)	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	1,356	Article 484(5), Article 486 4 and 5)	-

NOTE 35: 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)	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)	48.9	8.7	17.9
9	Nominal amount of the instrument	58.2	8.9	17.9
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

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 Cooperative on conditions laid down in the above-mentioned 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 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, partly discretionary or mandatory (with regard to 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
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	Hierarchical position in liquidation (specify the class of instrument that has a directly better priority)	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 36: Capital requirement

Credit and counterparty risk

(EUR 1,000) Exposure class	2015 Capital requirement
Exposures to central governments or central banks	112
Exposures to regional governments or local authorities	15
Exposures to public sector entities	72
Exposures to institutions	3,360
Exposures to corporates	47,448
Retail exposures	26,902
Exposures secured by mortgages on immovable property	54,687
Exposures in default	2,223
Exposures associated with particularly high risk	220
Exposures in the form of covered bonds	378
Exposures in the form of units or shares in collective investment undertakings (CIUs)	11,702
Equity exposures	9,317
Other items	6,629
Total credit exposure	**163,067**
Credit valuation adjustment risk (CVA)	**288**
Market risk (exchange rate risk)	**1,991**
Operational risk	**14,882**
Total capital requirement	**180,228**

NOTE 37: Average value of total exposures during the financial period by exposure class

Credit and counterparty risk

Exposure class (EUR 1,000)	2015
Exposures to central governments or central banks	215,794
Exposures to regional governments or local authorities	54,018
Exposures to public sector entities	4,007
Exposures to institutions	193,595
Exposures to corporates	675,888
Retail exposures	686,742
Exposures secured by mortgages on immovable property	1,994,040
Exposures in default	34,298
Exposures associated with particularly high risk	1,837
Exposures in the form of covered bonds	33,420
Exposures in the form of units or shares in collective investment undertakings	241,189
Equity exposures	67,724
Other items	98,035
Total	**4,300,587**

NOTE 38: Exposure by risk weight

Credit and counterparty risk

Risk weight (%) (EUR 1,000)	2015
0	328,552
10	47,549
20	230,661
35	1,974,271
50	33,647
75	686,746
100	941,792
150	24,284
250	33,051
350	34
Total	**4,300,587**

NOTE 39: Distribution of maturities of total exposure by exposure class

Credit and counterparty risk

Exposure class (EUR 1,000)	Total	less than 3 months	3–12 months
Exposures to central governments or central banks	215,794	10,593	12,850
Exposures to regional governments or local authorities	54,018	784	4,800
Exposures to public sector entities	4,007	-	-
Exposures to institutions	193,595	94,756	25,092
Exposures to corporates	675,888	16,646	28,542
Retail exposures	686,742	13,232	22,089
Exposures secured by mortgages on immovable property	1,994,040	15,940	24,424
Exposures in default	34,298	13,961	1,329
Exposures associated with particularly high risk	1,837	-	-
Exposures in the form of covered bonds	33,420	-	-
Exposures in the form of units or shares in collective investment undertakings	241,189	-	-
Equity exposures	67,724	-	-
Other items	98,035	17,578	-
Total	**4,300,587**	**183,490**	**119,126**

Exposure class (EUR 1,000)	1–5 years	5–10 years	over 10 years
Exposures to central governments or central banks	35,104	32,628	124,619
Exposures to regional governments or local authorities	3,341	19,745	25,348
Exposures to public sector entities	-	-	4,007
Exposures to institutions	4,335	1,081	68,331
Exposures to corporates	182,360	130,825	317,516
Retail exposures	148,140	159,826	343,455
Exposures secured by mortgages on immovable property	205,563	374,469	1,373,644
Exposures in default	4,009	4,992	10,008
Exposures associated with particularly high risk	-	-	1,837
Exposures in the form of covered bonds	33,420	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	241,189
Equity exposures	-	-	67,724
Other items	36	-	80,421
Total	**616,308**	**723,566**	**2,658,098**

NOTE 40: Exposure by exposure class and counterparty

Credit and counterparty risk

Exposure class (EUR 1,000)	Total	Private	Corporate	- of which SME exposures
Exposures to central governments or central banks	215,794	128,678	14,613	-
Exposures to regional governments or local authorities	54,018	-	13,778	-
Exposures to public sector entities	4,007	-	-	-
Exposures to institutions	193,595	346	275	-
Exposures to corporates	675,888	77,021	284,506	224,902
Retail exposures	686,742	329,651	152,782	95,632
Exposures secured by mortgages on immovable property	1,994,040	1,566,441	191,140	133,553
Exposures in default	34,298	12,955	15,146	-
Exposures associated with particularly high risk	1,837	-	1,165	-
Exposures in the form of covered bonds	33,420	-	33,420	-
Exposures in the form of units or shares in collective investment undertakings	241,189	-	-	-
Equity exposures	67,724	-	24,617	-
Other items	98,035	-	-	-
Total	**4,300,587**	**2,115,094**	**731,441**	**454,086**

Exposure class (EUR 1,000)	Agricultural	Other
Exposures to central governments or central banks	17,657	54,846
Exposures to regional governments or local authorities	1,796	38,443
Exposures to public sector entities	4,007	-
Exposures to institutions	3	192,972
Exposures to corporates	269,124	45,237
Retail exposures	184,137	20,172
Exposures secured by mortgages on immovable property	207,127	29,332
Exposures in default	4,513	1,683
Exposures associated with particularly high risk	-	672
Exposures in the form of covered bonds	-	-
Exposures in the form of units or shares in collective investment undertakings	-	241,189
Equity exposures	38	43,070
Other items	-	98,035
Total	**688,402**	**765,651**

NOTE 41: Geographical breakdown of significant credit exposures

Credit and counterparty risk

Exposure class (EUR 1,000)	Total	Finland	Other
Exposures to central governments or central banks	215,794	170,688	45,106
Exposures to regional governments or local authorities	54,018	54,018	-
Exposures to public sector entities	4,007	4,007	-
Exposures to institutions	193,595	170,691	22,904
Exposures to corporates	675,888	665,642	10,246
Retail exposures	686,742	685,260	1,482
Exposures secured by mortgages on immovable property	1,994,040	1,990,921	3,119
Exposures in default	34,298	34,265	34
Exposures associated with particularly high risk	1,837	1,837	-
Exposures in the form of covered bonds	33,420	11,742	21,677
Exposures in the form of units or shares in collective investment undertakings	241,189	233,014	8,175
Equity exposures	67,724	60,594	7,130
Other items	98,035	98,035	-
Total	**4,300,587**	**4,180,714**	**119,873**

NOTE 42: Exposure by exposure class by hedging collateral

Credit and counterparty risk 31 December 2015

Exposure class (EUR 1,000)	Total	Financial guarantees	Real guarantees	Guarantees	Other
Exposures to central governments or central banks	215,794	-	-	-	-
Exposures to regional governments or local authorities	54,018	-	-	-	-
Exposures to public sector entities	4,007	-	-	-	-
Exposures to institutions	193,595	-	-	-	-
Exposures to corporates	675,888	5,132	-	26,336	231
Retail exposures	686,742	8,962	-	92,702	1,023
Exposures secured by mortgages on immovable property	1,994,040	-	1,991,922	-	-
Exposures in default	34,298	113	17,892	489	77
Exposures associated with particularly high risk	1,837	-	-	-	-
Exposures in the form of covered bonds	33,420	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	241,189	-	-	-	-
Equity exposures	67,724	-	-	-	-
Other items	98,035	-	-	-	-
Total	**4,300,587**	**14,207**	**2,009,814**	**119,527**	**1,330**

NOTE 43: Collateral used in capital adequacy

The following real collateral securities specified in the EU Capital Requirements Regulation No 575/2013 are utilised in capital adequacy calculations: residential buildings 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 has been treated using the so-called comprehensive method and volatility adjustments ordered by the relevant regulator.

In addition, approved guarantors specified in the EU's Capital Requirements Regulation are used in the standardised approach to 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 44: Degree of asset encumbrance

Assets 31 Dec. 2015

(EUR 1,000)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the institution	**29,141**		**4,035,079**	
Equity instruments	-	-	309,270	309,368
Debt securities	29,141	29,209	288,664	286,403
Other assets	-		3,437,145	

Collateral received 31 Dec. 2015

(EUR 1,000)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institutions	**-**	**-**
Equity instruments	-	-
Debt securities	-	-
Other collateral held	-	-
Debt-based securities issued, except for own covered bonds or asset-backed securities (ABS)	-	-

Encumbered assets/collateral received and debts due to those 31 Dec. 2015

(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
Carrying amount of selected financial liabilities	-	29,141

Information about the importance of assets encumbrance

The Bank has used collateral of securities in the balance with a fair value of EUR 29,140,738.00. Information on the situation 31 December 2015.

NOTE 45: Operational risk statement

Operational risk capital requirement 31 Dec. 2015

(EUR 1,000)	2015	2014	2013	Capital requirement
Total gross income	100,821	97,612	-	
Profitability indicator	15,123	14,642	-	14,882

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.

The amalgamation of POP Banks' operational risk capital requirement has been calculated in accordance with the income statements presented for the financial years 2015 and 2014 in the additional financial information.

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 46: Leverage ratio

31 Dec. 2015

Reconciliation of leverage ratio and balance sheet		(EUR 1,000)
1	Total assets as per published financial statements	4,064,220
4	Adjustments for derivative financial instruments	688
6	Adjustment for off-balance sheet items	225,968
7	Other adjustments	-6,928
8	Total leverage ratio exposures	4,283,948

Disclosure of leverage ratio		
		Value of leverage ratio exposures
Balance sheet exposures (excluding derivative contracts, SFTs)		
1	On-balance sheet items (excluding derivative contracts, SFTs and fiduciary assets, but including collateral)	4,050,415
3	**Total on-balance sheet exposures (excluding derivative contracts, SFTs and fiduciary assets)**	**4,050,415**
Derivative contracts		
4	Derivative contracts: market value	7,165
5	Derivative contracts: mark-to-market method	400
11	**Total derivative contracts**	**7,565**
Other off-balance-sheet exposures		
17	Off-balance sheet exposures at gross notional amount	225,968
19	Other off-balance-sheet exposures	225,968
Capital and total exposures		
20	Tier 1 capital	466,087
21	Total leverage ratio exposures	4,283,948
Leverage ratio		
22	Leverage ratio	10.9%
EU-23	Choice on transitional arrangements and amount of derecognised fiduciary items	45,696

Balance sheet exposures total (excluding derivative contracts, SFTs and exempted exposures)		
		Value of leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivative contracts, SFTs and exempted exposures), of which:	4,050,415
EU-3	Banking book exposures, of which:	4,050,415
EU-4	Covered bonds	33,420
EU-5	Exposures treated as sovereigns	371,389
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	4,507
EU-7	Institutions	178,706
EU-8	Secured by mortgages of immovable properties	1,950,129
EU-9	Retail exposures	461,144
EU-10	Exposures to corporates	618,704
EU-11	Exposures in default	24,581
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	407,835

NOTE 47: Shareholdings not included in the trading book

Share breakdown (EUR 1,000)	Market value	Balance sheet value
Listed shares	16,546	16,546
Unlisted shares	50,670	50,572
Total	**67,216**	**67,119**

Diversified distribution of shares (EUR 1,000)	31 Dec. 2015
Listed shares	16,546
Necessary for operations	48,418
Shares in subsidiaries and participating interests	335
Other unlisted shares	1,819
Total	**67,119**

NOTE 48: Additional financial information

TABLE OF CONTENTS

Additional financial information

The additional financial information included in the IFRS financial statements of the POP Bank Group has been prepared for the period preceding the formation of the amalgamation of POP Banks, at which time POP Banks acted as a single bank group but were not legally liable for each other's commitments. The purpose of the additional financial information is to provide the market with useful information so that credit rating agencies, investors and other stakeholders can obtain a correct and sufficient view of the profitability of the operations of the POP Bank Group, formation of earnings and the financial position of the Group.

This Note presents the POP Bank Group's consolidated financial statements for the financial year 1 January–31 December 2015 and comparison figures for the previous financial year, 1 January–31 December 2014. The information presented in the additional financial information has been prepared in accordance with the accounting policies presented in Note 2. The Group adopted IFRS on 1 January 2014.

The additional financial information has been prepared by consolidating the audited separate financial statements of the companies and entities included in the POP Bank Group. The information presented as additional financial information has been prepared under the "combined financial statement" principle, in which the historical additional financial information of the companies and entities have been combined into a single entity and eliminations of intra-group items and adjustments due to the application of IFRS have been made to them.

The preparation of the consolidated financial statements as a single entity is based on the "common management" concept as the POP Bank Group has operated under joint management, applying joint financial statement processes even though the Group was not under joint control. The balance sheet of the official financial statements at 31 December 2015 corresponds to the balance sheet at 31 December 2015 presented in the additional financial information.

NOTE 48.1: The POP Bank Group's income statement

(EUR 1,000)	Note	2015	2014	Change, %
Interest income	48.11	82,674	80,690	2.5
Interest expenses	48.11	-21,437	-19,699	8.8
Net interest income	**48.11**	**61,237**	**60,991**	**0.4**
Net commissions and fees	48.12	30,233	26,970	12.1
Net trading income	48.13	539	434	24.3
Net investment income	48.14	3,226	8,712	-63.0
Net income from Non-life insurance	48.15	5,232	1,361	284.5
Other operating income	48.16	3,366	2,440	38.0
Total operating income		**103,834**	**100,908**	**2.9**
Personnel expenses	48.17	-37,121	-36,502	1.7
Other operating expenses	48.18	-43,353	-42,535	1.9
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	48.19	-5,523	-4,791	15.3
Total operating expenses		**-85,997**	**-83,827**	**2.6**
Impairment losses on loans and receivables	48.33	-4,961	-4,331	14.5
Profit before tax		**12,876**	**12,750**	**1.0**
Income tax expense	48.20	-3,783	-5,272	-28.2
Profit for the financial year		**9,093**	**7,478**	**21.6**
Attributable to				
Equity owners of the POP Bank Group		9,220	8,708	5.9
Non-controlling interests		-127	-1,231	-89.7
Total		**9,093**	**7,478**	**21.6**

NOTE 48.2: The POP Bank Group's statement of comprehensive income

(EUR 1,000)	Note	2015	2014	Change, %
Profit for the financial year		9,093	7,478	21.6
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans	48.44	-894	228	-492.1
Items that may be reclassified to profit or loss				
Changes in fair value reserve				
Available-for-sale financial assets	48.39	1,312	2,889	-54.6
Cash flow hedge	48.39	0	-70	-100.0
Comprehensive income for the financial year		**9,511**	**10,525**	**-9.6**

Comprehensive income for the financial year attributable to				
Comprehensive income for the financial year attributable to owners of the POP Bank Group		9,666	11,781	-18.0
Comprehensive income for the financial year attributable to non-controlling interests		-155	-1,256	-87.7
Total comprehensive income for the financial year		**9,511**	**10,525**	**-9.6**

NOTE 48.3: The POP Bank Group's balance sheet

(EUR 1,000)	Note	31 Dec. 2015	31 Dec. 2014	1 Jan. 2014
Assets				
Liquid assets	48.23	172,899	12,959	12,692
Financial assets at fair value through profit or loss	48.24	3,383	3,495	1,998
Loans and receivables from credit institutions	48.25	129,327	411,453	383,320
Loans and receivables from customers	48.25	3,013,972	2,926,485	2,907,100
Derivative contracts	48.26	5,356	7,682	8,738
Investment assets	48.27	637,308	388,668	329,288
Non-life insurance assets	48.28	37,610	31,803	20,031
Intangible assets	48.29	15,839	14,822	11,668
Property, plant and equipment	48.30	41,224	42,400	44,859
Other assets	48.31	13,582	16,185	16,814
Tax assets	48.32	3,401	2,574	2,549
Total assets		**4,073,900**	**3,858,523**	**3,739,057**

Liabilities				
Liabilities to credit institutions	48.33	112,783	4,938	22,869
Liabilities to customers	48.33	3,342,813	3,247,611	3,130,371
Non-life insurance liabilities	48.34	27,567	23,519	14,030
Debt securities issued to the public	48.35	24,188	24,361	24,295
Subordinated liabilities	48.36	0	2,223	4,931
Cooperative and supplementary cooperative capital	48.37	58,231	83,703	85,310
Other liabilities	48.38	57,056	50,701	47,814
Tax liabilities	48.32	25,281	26,923	25,419
Total liabilities		**3,647,918**	**3,463,980**	**3,355,040**

Equity capital				
Cooperative capital				
Cooperative contributions	48.39	8,904	-	-
POP Shares	48.39	17,904	-	-
Total cooperative capital		**26,809**	**-**	**-**
Reserves	48.39	156,081	150,381	145,340
Retained earnings	48.39	239,831	235,558	230,764
Total equity attributable to the owners of the POP Bank Group		**422,721**	**385,939**	**376,105**
Non-controlling interests	48.46	3,261	8,604	7,912
Total equity capital		**425,982**	**394,543**	**384,016**
Total liabilities and equity capital		**4,073,900**	**3,858,523**	**3,739,057**

NOTE 48.4: Statement of changes in the POP Bank Group's equity capital

(EUR 1,000)	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 Jan. 2015	-	2,971	147,410	235,558	385,939	8,604	394,543
Comprehensive income for the financial year							
Profit for the financial year	-	-	-	9,220	9,220	-127	9,093
Other comprehensive income	-	1,312	-	-894	418	-28	390
Total comprehensive income for the financial year	**-**	**1,312**	**-**	**8,326**	**9,638**	**-155**	**9,483**
Transactions with shareholders							
Increase in cooperative capital	17,904	-	-	-	17,904	-	17,904
Transfer of reserves	-	-	2,236	-2,236	-	-	-
Transactions with shareholders total	**17,904**	**-**	**2,236**	**-2,236**	**17,904**	**-**	**17,904**
Other changes							
Changes in holdings in subsidiaries	-	-	1,816	-1,792	24	-1,383	-1,359
Refund of cooperative capital classified as a liability*	-	-	-	-	-	-2,702	-2,702
Other	8,904	-	336	-26	9,215	-1,103	8,111
Other changes total	**8,904**	**-**	**2,152**	**-1,818**	**9,239**	**-5,188**	**4,050**
Balance at 31 Dec. 2015	**26,809**	**4,283**	**151,798**	**239,831**	**422,721**	**3,261**	**425,982**

Other changes in cooperative capital, EUR 8,904 thousand, is composed of cooperative contributions classified as equity capital. More details on the classification of cooperative contributions are described in note 48.37.

(EUR 1,000)		Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 Jan. 2014		206	145,134	230,764	376,105	7,912	384,016
Comprehensive income for the financial year							
Profit for the financial year		-	-	8,708	8,708	-1,231	7,478
Other comprehensive income		2,834	-	228	3,063	-26	3,037
Total comprehensive income for the financial year		**2,834**	**-**	**8,937**	**11,771**	**-1,256**	**10,515**
Transactions with shareholders							
Transfer of reserves		-	1,958	-1,958	-	-	-
Transactions with shareholders total		**-**	**1,958**	**-1,958**	**-**	**-**	**-**
Other changes							
Changes in holdings in subsidiaries		-	286	-1,017	-730	606	-124
Refund of cooperative capital classified as a liability*		-	-	-	-	-2,267	-2,267
Other		-70	32	-1,169	-1,206	3,609	2,403
Other changes total		**-70**	**319**	**-2,185**	**-1,936**	**1,949**	**12**
Balance at 31 Dec. 2014		**2,971**	**147,410**	**235,558**	**385,939**	**8,604**	**394,543**

Refund of cooperative capital classified as a liability has been reclassified from non-controlling interests to other liabilities. More details on the reclassification in note 48.38.

NOTE 48.5: The POP Bank Group's cash flow statement

(EUR 1,000)	2015	2014
Cash flow from operations		
Profit for the financial year	9,093	7,478
Adjustments to profit for the financial year	18,659	19,192
Increase (-) or decrease (+) in operating assets	**-233,273**	**-70,094**
Receivables from credit institutions	112,561	33,938
Receivables from customers	-90,118	-23,472
Investment assets	-251,975	-69,921
Non-life insurance assets	-5,849	-11,772
Other assets	2,108	1,133
Increase (+) or decrease (-) in operating liabilities	**197,701**	**101,534**
Liabilities to credit institutions	107,845	-17,932
Liabilities to customers	97,868	118,079
Non-life insurance liabilities	-813	2,999
Other liabilities	-877	2,996
Income tax paid	-6,322	-4,610
Net cash from operating activities	**-7,820**	**58,109**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-313	-1,701
Decreases in held-to-maturity financial assets	3,568	14,125
Increases in other investments	-1,525	-412
Purchase of PPE and intangible assets	-10,693	-8,750
Proceeds from sale of PPE and intangible assets	2,881	4,042
Net cash used in investing activities	**-6,082**	**7,305**
Cash flow from financing activities		
Decreases in subordinated liabilities	-2,223	-2,712
Increase in cooperative capital	6,652	-
Changes in other equity capital items	-150	-366
Net cash used in financing activities	**4,278**	**-3,077**
Change in cash and cash equivalents		
Cash and cash equivalents at period-start	245,939	183,602
Cash and cash equivalents at the end of the period	236,314	245,939
Net change in cash and cash equivalents	**-9,625**	**62,337**
Interest received	84,736	81,395
Interest paid	22,250	18,385
Dividends received	1,326	1,402

Adjustments to profit for the financial year	**18,659**	**19,192**
Non-cash items and other adjustments		
Impairment losses on receivables	4,961	4,331
Depreciation and impairment	6,836	5,374
Technical provision	4,861	6,490
Other	2,002	2,997

Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	357	472
Total adjustments	**357**	**472**

Cash and cash equivalents		
Liquid assets	172,899	12,959
Receivables from credit institutions payable on demand	63,415	232,980
Total	**236,314**	**245,939**

NOTE 48.6: The POP Bank Group and the scope of the first IFRS Financial Statements

1. THE POP BANK GROUP

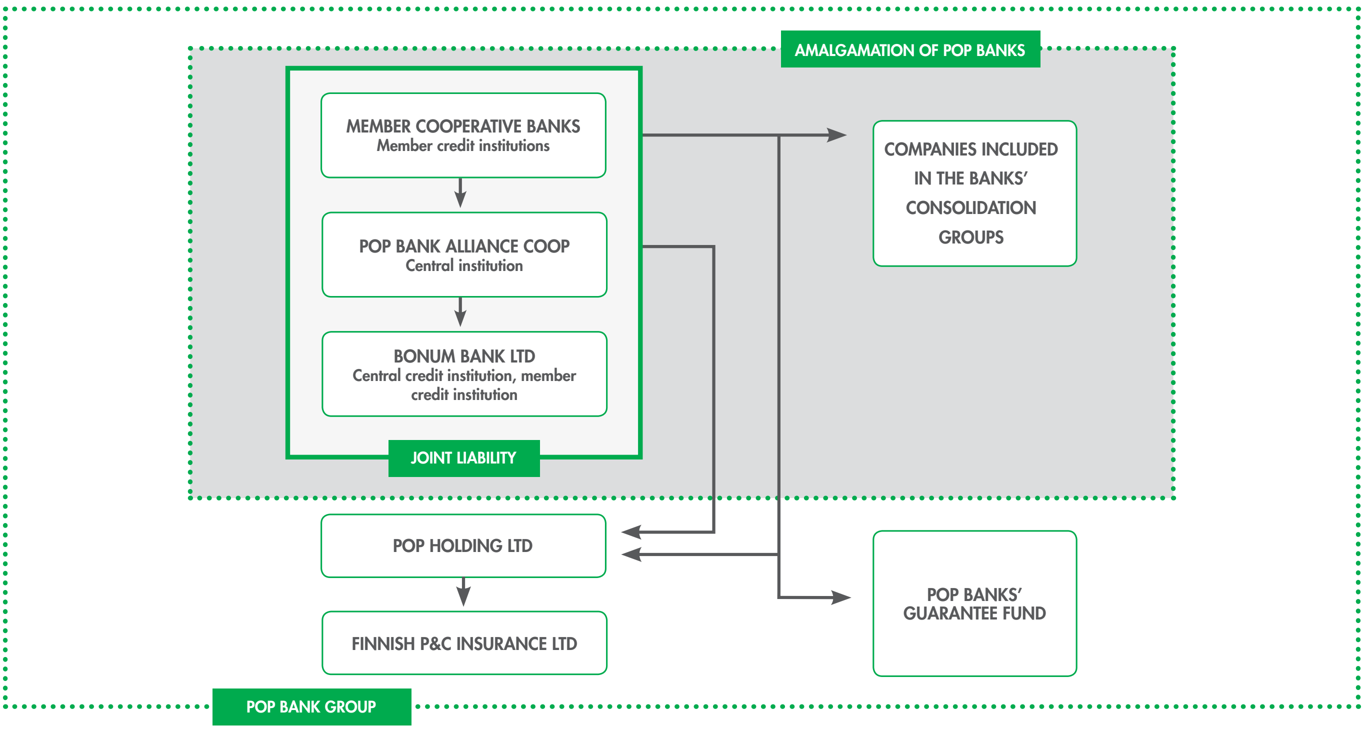
The POP Bank Group (hereinafter also referred to as the "Group") is a financial group comprising POP Banks and POP Bank Alliance Coop and their subsidiaries and jointly controlled entities that operates in Finland. POP Banks are independent, regionally and locally operating cooperative banks. POP Bank Alliance Coop functions as the central institution of the Group. The services of the POP Bank Group cover payment, card, saving, investing and financing services for private customers, small companies and agricultural and forestry companies. In addition to retail banking services, the Group offers non-life insurance services to private customers.

The member credit institutions of POP Bank Alliance Coop are the 26 cooperative banks and the central credit institution of the member cooperative banks, Bonum Bank Ltd. The amalgamation of POP Banks is an economic entity referred to in the Act on the Amalgamation of Deposit Banks (hereinafter referred to as the "Amalgamation Act") the members of which and the central institution are jointly liable for each other's debts and commitments. The amalgamation of POP Banks is formed by the central institution POP Bank Alliance Coop, its member credit institutions, the companies included in their consolidation groups and those credit institutions, financial institutions and service companies in which entities included in the amalgamation jointly hold over 50% of the votes. The companies included in the consolidation groups of the member credit institutions are primarily real estate companies.

The POP Bank Group also includes other entities besides the entities included in the amalgamation of POP Banks. The most significant entities that do not belong to the POP Bank Group are POP Holding Ltd, its wholly-owned subsidiary Finnish P&C Insurance Ltd and POP Banks' guarantee fund, which are not in the scope of joint liability. The POP Bank Group does not form a group of companies referred to in the Accounting Act (1336/1997) or a consolidation group referred to in the Act on Credit Institutions (610/2014). POP Bank Alliance Coop or its member cooperative banks do not exercise control pursuant to IFRS accounting standards on each other, and therefore no parent company can be determined for the Group. In accordance with the Amalgamation Act, the Board of Directors has specified the Group's accounting policies suitable for this structure to the extent that the IFRS accounting standards do not acknowledge the Group's structure. The accounting policies that include a description of the technical parent company consisting of the member cooperative banks are presented in Note 2. The member cooperative banks and other Group companies consolidated in the IFRS financial statements included in the technical parent company are listed in Note 48.46.

The chart below presents the structure of the POP Bank Group and the entities included in the amalgamation and the scope of joint liability. POP Bank Alliance Coop acts as the central institution responsible for group steering and supervision of

POP Bank Group, amalgamation of POP Banks and joint liability



the POP Bank Group in accordance with the Amalgamation Act. POP Bank Alliance Coop's registered office is Helsinki and its address is Hevosenkenkä 3, FI-02600 Espoo, Finland.

POP Bank Alliance Coop has prepared the POP Bank Group's consolidated IFRS financial statements in accordance with the Act on the Amalgamation of Deposit Banks. The Board of Directors of POP Bank Alliance Coop adopted the report and financial statements on 29 February 2016. The financial statements will be distributed to the general meeting of POP Bank Alliance Coop cooperative on 21 April 2016.

Copies of the financial statements of the POP Bank Group are available from the office of the central institution, address Hevosenkenkä 3, FI-02600 Espoo, Finland, and online at www.poppankki.fi.

2. SCOPE OF THE FIRST CONSOLIDATED FINANCIAL STATEMENTS OF THE POP BANK GROUP

2.1 The POP Bank Group's IFRS financial statements

POP Bank Alliance Coop was authorised by the Finnish Financial Supervisory Authority to function as the central institution of the amalgamation of deposit banks on 14 December 2015. The amalgamation of POP Banks began operations on 31 December 2015.

In accordance with the Amalgamation Act, the central institution shall prepare the financial statements as a combination of the financial statements of the central institution and its member credit institutions or the group financial statements in accordance with the International Financial Reporting Standards (IFRS). The first consolidated financial statements of the POP Bank Group have been prepared as of the start date of the operations of the amalgamation, and it includes the closing date 31 December 2015. The financial statements include the POP Bank Group's balance sheet and the disclosures presented as notes to the balance sheet, accounting policies and other notes. Additional financial information is also presented as notes to the official IFRS financial statements, covering IFRS data for the financial period 1 January–31 December 2015 and comparison period 1 January–31 December 2014.

Because the POP Bank Group is a new legal entity, the Group has not previously prepared consolidated financial statements. The Group's consolidated IFRS financial statements have been prepared by consolidating the separate financial statements of the companies included in the POP Bank Group prepared pursuant to the national accounting and financial statement standards so that the inter-company items have been eliminated and the balance sheet and income statement items have been adjusted to correspond to IFRS. The member cooperative banks have applied IAS 39 Financial Instruments: Recognition and Measurement in accordance with the Financial Supervisory Authority's regulation 1/2013 on the accounting, financial statement and Board of Directors' report in the financial sector. Bonum Bank Ltd has adopted IFRS in the financial statements prepared for the financial year 1 January–31 December 2015.

More detailed information about the IFRS transition of the POP Bank Group is presented in Note 48.7 and Note 48.49.

2.2 Formation of the amalgamation of POP Banks

The decisions concerning the establishment of the amalgamation of POP Banks were preceded by strategy work with several background investigations by POP Bank Alliance Coop and its member cooperative banks on the Group structure. The new EU-level regulations did not acknowledge the previous Group structure and practically made it impossible to continue several cooperation structures that had worked well. Among other things, there were no longer prerequisites for continuing the intermediation of housing loans of Aktia Real Estate Mortgage Bank owned by POP Banks jointly with Aktia Bank Plc and Savings Banks, nor for Aktia Bank Plc continuing as the central credit institution of POP Banks and Savings Banks.

The extraordinary cooperative meeting of POP Bank Alliance Coop decided on 26 June 2013 to establish its own central credit institution for POP Banks. At the same time, the meeting approved a share transaction by which POP Bank Alliance Coop, already a partial owner of ACH Finland Ltd, purchased all of the shares of the company from the other banks that were its shareholders. ACH Finland Ltd offered payment clearing services to all of the banks that used Aktia Bank Plc's central credit institution service. ACH Finland Oy, formerly the payment institution of three bank groups, was awarded a deposit bank licence in December 2013 and changed its name to Bonum Bank Ltd at the same time. Bonum Bank Ltd started its operations on 4 August 2014. Following the preparations for the establishment of central credit institution services and the transfer of the three bank groups' services, the central credit institution services of POP Banks were transferred to Bonum Bank Ltd in February 2015.

Following investigations concerning the structure, the extraordinary cooperative meeting of POP Bank Alliance Coop decided on 11 June 2014 to establish an amalgamation of POP Banks as its strategic objective, with POP Bank Alliance Coop acting as its central institution. The amendment to the rules related to changing POP Bank Alliance Coop into the central institution was approved by the extraordinary cooperative meeting of POP Bank Alliance Coop on 19 December 2014. The precondition for the amendment was that member cooperative banks representing a minimum of 70% of the combined balance sheet totals of the member cooperative banks decide in their own cooperative meetings to amend their rules to comply with the Amalgamation Act and join the amalgamation of POP Banks. The Board of Directors of POP Bank Alliance Coop stated in its meeting on 7 April 2015 that the preconditions for the amendment to the rules have been fulfilled. During early 2015, 26 member cooperative banks decided to join the amalgamation of POP Banks and eight member cooperative banks decided to resign from POP Bank Alliance Coop. The POP Banks that joined the amalgamation of POP Banks and continue as member cooperative banks of POP Bank Alliance Coop account for 78.1% of the combined balance sheet total of the cooperative banks that were formerly members of the POP Bank Group (balance sheets at 31 December 2013). Bonum Bank Ltd joined the central institution in December 2015.

POP Bank Alliance Coop submitted its application for a licence to act as the central institution of the amalgamation to the Financial Supervisory Authority on 20 July 2015 and the Financial Supervisory Authority awarded the licence on 14 December 2015. The amalgamation of POP Banks began operations on 31 December 2015.

2.3 Additional financial information presented as notes

POP Banks have acted as a separate bank group since 1997. The POP Bank Group has consisted of POP Bank Alliance Coop and the POP Banks' guarantee fund and their member cooperative banks as well as the subsequently established central credit institution, Bonum Bank Ltd.

The purpose of POP Bank Alliance Coop has been to act as the central institution of its member banks, equally promoting their development and cooperation and representing them and supervising their joint interests by influencing the general preconditions and legislation of the banking sector. The joint decision-making, decision-making principles, bindingness of the decisions and the decision-making order have been based on a separate group agreement signed in 2003, which expired when POP Bank Alliance Coop was awarded the licence to act as the central institution of the amalgamation.

POP Bank Alliance Coop has prepared the in-principle decisions concerning the operation of POP Banks shared by all member banks. The special purpose of POP Bank Alliance Coop has been to organise, procure and provide its members the basic services they need. These services include information system and central credit institution services, accounting and audit services, financial sector product company services and other services necessary for the operation of the members. POP Bank Alliance Coop has represented the banks in e.g. negotiations concerning joint IT investments and related decisions and framework agreements made with partners.

The additional financial information included in the IFRS financial statements of the POP Bank Group has been prepared for the period preceding the formation of the amalgamation of POP Banks, at which time POP Banks acted as a single bank group but were not legally liable for each other's commitments. The purpose of the additional financial information is to provide the market with useful information so that credit rating agencies, investors and other stakeholders can obtain a correct and sufficient view of the profitability of the operations of the POP Bank Group, formation of earnings and the financial position of the Group.

Note 48 to the consolidated financial statements of the POP Bank Group represents the POP Bank Group's consolidated financial statements for the financial year 1 January–31 December 2015 and comparison figures for the previous financial year, 1 January–31 December 2014. The information presented in the additional financial information has been prepared in accordance with the accounting policies presented in Note 48.7. The accounting policies presented in Note 48.7 are consistent with the accounting policies presented in Note 2. The Group adopted IFRS on 1 January 2014.

The additional financial information has been prepared by consolidating the audited separate financial statements of the companies and entities included in the POP Bank Group. The information presented as additional financial information has been prepared under the "combined financial statement" principle, in which the historical additional financial information of the companies and entities have been combined into a single entity and eliminations of intra-group items and adjustments due to the application of IFRS have been made to them. The preparation of the consolidated financial statements as a single entity is based on the "common management" concept as the POP Bank Group has operated under joint management, applying joint financial statement processes in spite of the Group not being under joint control. The balance sheet of the official financial statements at 31 December 2015 corresponds to the balance sheet at 31 December 2015 presented in the additional financial information.

The additional financial information also includes statements of the effects of the transition to IFRS and the differences between the financial statements prepared in accordance with the Finnish Accounting Act and the IFRS financial statements.

NOTE 48.7: POP Bank Group's accounting policies under IFRS

1. GENERAL

The consolidated financial statements of the POP Bank Group (hereinafter also referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) approved in the EU and the related interpretations (IFRIC). The applicable Finnish accounting and corporate legislation and regulatory requirements have also been taken into account when preparing the notes to the financial statements. The obligation of the POP Bank Group to prepare financial statements in accordance with IFRS is based on the Act on the Amalgamation of Deposit Banks (599/2010; hereinafter referred to as the "Amalgamation Act").

The figures in the POP Bank Group's consolidated financial statements are in thousand euros unless otherwise indicated. The figures in the notes are rounded, whereby the sum total of individual figures may deviate from the sum total presented in a table or calculation. Assets and liabilities denominated in currencies other than euro have been translated into euro at the exchange rate of the balance sheet date. Exchange rate differences resulting from measurement have been recognised in net investment income in the income statement. Exchange rate differences resulting from the non-life insurance business have been recognised in net income from Insurance. The operating currency of all of the companies belonging to the POP Bank Group is euro.

The consolidated financial statements of the POP Bank Group are based on original cost, with the exception of financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets and the hedged items of fair value hedges (with regard to hedged risk) and hedge instruments hedging fair value or cash flow, which are measured at fair value. The POP Bank Group presents the Pillar 3 capital adequacy information in accordance with the EU's Capital Requirements Regulation (575/2013) in the Notes to the financial statements.

2. CONSOLIDATION PRINCIPLES

2.1 Technical parent company

In accordance with the Amalgamation Act, the consolidated financial statements of the POP Bank Group shall be prepared as a combination of the financial statements or consolidated financial statements of the central institution POP Bank Alliance Coop and its member credit institutions. The consolidated financial statements also include entities in which the entities referred to above have joint control.

POP Bank Alliance Coop and its member cooperative banks do not exercise control over each other, and therefore no parent company can be determined for the POP Bank Group. In the IFRS financial statements, a "technical parent" company has been formed for the POP Bank Group from the member cooperative banks. The member cooperative banks and the central institution have individually or jointly control over the other entities combined in the Group's IFRS financial statements. Within the technical parent company, intra-group holdings, transactions, receivables and liabilities, distribution of profit and margins are eliminated. Cooperative capital comprises such cooperative contributions paid by members of cooperative banks which the member banks have an unconditional right to refuse the redemption. The rules of the member cooperative banks were amended in 2015 so that a cooperative bank has an unconditional right to refuse the refund of cooperative contributions. More detailed information about the amendment to the rules and its effect on the classification of cooperative capital as equity capital is presented in Note 22.

2.2 Subsidiaries and joint arrangements

The POP Bank Group's financial statements include the financial statements of the technical parent company and its subsidiaries. Companies over which the Group exercises control are considered to be subsidiaries. The POP Bank Group has control over an entity if it has control over the company and is exposed, or has rights to, the variable returns of the company and the ability to affect those returns through its power over the company. The Group's control is based on voting rights.

The POP Bank Group's intra-group holdings have been eliminated using the acquisition method. All intra-group transactions, receivables and liabilities, unrealised earnings and distribution of profit are eliminated in the Group's consoldiated financial statements.

The POP Bank Group has utilised the exemptions allowed by IFRS 1 *First-time Adoption of International Financial Reporting*

Standards to first-time adopters not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that have taken place before 1 January 2014. The Group has not acquired subsidiaries after 1 January 2014.

A joint operation is a joint arrangement over which two or more parties exercise joint control and have rights concerning assets related to the arrangement and obligations related to liabilities. Mutual real estate companies are consolidated in the Group's financial statements as joint operations. Their income statement items, assets and liabilities are combined in accordance with the Group's holding.

2.3 Non-controlling interests

The POP Bank Group's equity capital, earnings and other items of comprehensive income attributable to non-controlling interests are presented as separate items in the Group's income statement, statement of comprehensive income and balance sheet. The share of earnings and comprehensive income is attributed to non-controlling interests even if it would lead to the non-controlling interests' share becoming negative. The share of non-controlling interests is presented as part of equity capital on the balance sheet.

The portion of the POP Bank Group's equity capital, which is subject to an irrevocable commitment to refund to non-controlling interests, is not presented in the balance sheet as part of equity capital. The commitments related to the refund of capital are presented under other liabilities on the balance sheet. The treatment of the financial rights of the banks that have resigned from POP Bank Alliance Coop is presented in more detail in section 12.1. Presentation of the financial rights of the banks that have resigned from POP Bank Alliance Coop.

3. FINANCIAL INSTRUMENTS

3.1 Classification and recognition

Financial assets and financial liabilities are classified on initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* into the following measurement categories:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Investments held to maturity
- Loans and receivables
- Financial liabilities at fair value through profit or loss
- Other financial liabilities

The recognition of financial instruments in the POP Bank Group's balance sheet is not dependent on the categorisation presented in the notes for measurement. The division into measurement categories of financial assets and financial liabilities recognised in the balance sheet is presented in Note 6. Purchases and sales of financial instruments are recognised on the transaction date. Loans granted are recognised in the balance sheet on the date when the customer draws down the loan. Instruments issued are recognised in the balance sheet at the latest on the date when the customer makes the subscription or at the latest at the end of the subscription period.

On initial recognition, all financial assets and financial liabilities are recognised at fair value. Transaction costs related to financial assets and financial liabilities at fair value through profit or loss are recognised on the date of acquisition. The transaction costs of other financial instruments are included in the acquisition cost.

Financial assets and financial liabilities are offset in the balance sheet if the POP Bank Group currently has a legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and it has the intention and ability to settle the asset and liability on a net basis. The POP Bank Group has not offset the financial assets and financial liabilities on the balance sheet.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights have been transferred to another party so that substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when the related obligations have been fulfilled and they have been extinguished.

Financial assets at fair value through profit or loss

Financial instruments at fair value through profit or loss include structured bonds and investments that include embedded derivative contracts. The value change is recognised directly in the income statement.

Available-for-sale financial assets

Debt securities, shares and participations which are not recognised at fair value through profit or loss and that may be sold before their maturity are recognised in available-for-sale financial assets. Insurance investments are classified as available-for-sale financial assets. Available-for-sale financial assets are measured at fair value, and unrealised value changes are recognised in other comprehensive income. However, unlisted equity financial assets are valued at acquisition cost or at acquisition cost less impairment because their fair value cannot be reliably determined. Change in value is reclassified from other comprehensive income to the income statement into net investment income upon transfer or impairment. The value change of insurance investments is recognised in net investment income.

Held-to-maturity investments

Held-to-maturity financial assets include debt securities, whose payments are fixed or determinable, which mature on a specified date and which can and are intended to be held hold to maturity. Held-to-maturity investments are measured at amortised cost. The difference between acquisition cost and nominal price is recognised as interest income or decrease of interest income.

In the financial year 2015, the POP Bank Group has reclassified investments held to maturity into available-for-sale financial assets. Because of the reclassification, the POP Bank Group cannot classify investments into investments held to maturity in the next two financial years. The reclassification was a result of the change in Bonum Bank Ltd's investment policy that is associated with the bank's capital adequacy management and the adjustment of its investment position to match the expected changes in the business volume.

Loans and receivables

Receivables from credit institutions as well as loans and advances to the public and central government are recognised as loans and receivables. Loans and receivables are recognised at amortised cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of derivative contracts under liabilities related to hedge accounting. The POP Bank Group did not have derivative contracts under liabilities on the closing date.

Other financial liabilities

Liabilities to credit institutions, liabilities to the public and general government and debt securities to the public are recognised as other financial liabilities. Other financial liabilities are included in the balance sheet at amortised cost with the exception of derivative contracts.

3.2 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.

3.3 Derivative contracts and hedge accounting

The POP Bank Group can hedge interest rate risk by applying fair value or cash flow hedging. Derivative contracts are not made for trading purposes. The connection between hedging derivative contracts and hedged instruments (hedging relationship) and the effectiveness of hedging are documented. The Group applies the EU-approved "carve-out" model of IAS 39 hedge accounting to fixed rate borrowings, which makes it possible for assets and liabilities with a similar risk profile to be combined for hedging ("macro hedging"), making it possible to include deposits in the scope of hedging. The aim is to stabilise net interest income and to neutralise any changes in the fair value of assets and liabilities.

Derivative contracts are measured at fair value, and value changes are recognised through profit or loss or in other comprehensive income.

Fair value hedging

Fair value hedges hedge against fair value changes of fixed-rate lending. When hedging fair value, the hedged item is also measured at fair value during hedging even if it would otherwise be measured at amortised cost. A change in the hedged item's fair value is recognised in the balance sheet as an adjustment to the balance sheet item and in the income statement under "Net trading income". Interest on hedging derivatives is recorded as an adjustment to interest expense and measurement gains under "Net trading income".

Cash flow hedging

A cash flow hedge is a hedge of the exposure to the variability attributable to future interest flows associated with variable-rate lending. The effective portion of changes in the fair value of derivative contracts which are documented as cash flow hedges is recognised in other comprehensive income, adjusted for deferred tax. Any ineffective portion of changes in the fair value is recognised under "Net trading income" in the income statement. Interest on hedging derivatives is presented under "Net interest income".

Fair value changes recognised in equity as a result of the measurement of a hedging instrument are recognised through profit or loss as an adjustment to cash flows as the hedged cash flow is recognised. In cash flow hedging, the hedged item is not measured at fair value.

The POP Bank Group did not have cash flow hedges on the closing date.

3.4 Impairment losses on financial assets

Impairment losses on financial assets other than assets measured at fair value through profit or loss are recognised in the income statement if there is objective evidence of impairment. Evaluation of objective evidence takes place at the end of each reporting period.

Available-for-sale financial assets

Objective evidence of an impairment loss on available-for-sale financial assets includes significant financial difficulties of the issuer or debtor, breach of contract terms, issuer's or debtor's bankruptcy or other reorganisation becoming probable, negative changes in the operating environment of the issuer or debtor or the disappearance of an active market for a financial asset. If there is objective evidence of impairment loss of a financial asset at the end of the reporting period, impairment testing is performed on the asset.

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 and results in the recognition of impairment losses. The Board of Directors of POP Bank Alliance Coop has determined that a decline in the fair value of an investment in an equity instrument 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. Impairment loss is recognised as the difference between the acquisition cost of the equity instrument and its fair value at the reporting date less any earlier impairment losses on that item which have been recognised in the income statement. Impairment loss is recognised in the income statement under "Net investment income". Impairment losses on an investment in an equity instrument which is classified as available-for-sale are not reversed through profit or loss; instead, the subsequent change in value is recognised in other comprehensive income.

The impairment of an available-for-sale debt instrument is determined mainly as the difference between its acquisition cost and the present value of future cash flows from the instrument. A decrease in fair value resulting from an increase in a risk-free market interest rate does not lead to recognition of impairment loss. Impairment loss is recognised in the income statement under "Net investment income". A decrease in impairment loss related to an event occurring after the recognition of impairment loss is recognised through profit and loss.

Held-to-maturity investments

If objective evidence is obtained at the end of the reporting period that the value of a note or bond classified as held to maturity has decreased, it is tested for impairment. The amount of impairment loss is the difference between the asset's acquisition cost and the present value of future cash flows from the instrument. Impairment loss on investments held to maturity is recognised in net investment income.

The POP Bank Group did not have held-to-maturity investments on the closing date.

Loans and receivables

Impairment losses on loans and receivables are assessed on an individual basis if the debtor's total exposure is significant. In other respects, impairment on receivables is assessed on a collective basis for groups of similar receivables.

Individual impairment is recognised when there is objective evidence that the loan or receivable cannot be collected in accordance with the contract. Objective evidence of impairment on a receivable includes breach of contract, such as delayed payment or payment default of interest or instalments or the debtor's bankruptcy or other reorganisation. The assessment of impairment either involves an assessment based on the fair value of the collateral, or all future cash flows are discounted using the receivable's original effective interest rate. In determining future cash flows, the amount that the collateral it is likely to yield on realisation is assessed. The amount of the individual impairment is the difference between the book value of the receivable and its recoverable future cash flows or the difference between the book value of the receivable and the fair value of the collateral.

When assessing impairment on a collective basis, the entire the POP Bank Group's receivables are classified into groups of similar credit risk properties based on customer groups. Impairment losses that have materialised according to the assessment but cannot be allocated to an individual receivable are recognised collectively. Receivables whose impairment has been assessed on an individual basis and for which an impairment loss has been recognised are not taken into account in assessing collective impairment. When determining collective impairment loss, the previous loss development of groups with similar credit risk characteristics is taken into account. Collective loss development is adjusted based on the management's estimate to correspond to the conditions at the time of assessment. When impairment can be allocated to be due to an individual receivable, the receivable is omitted from the collective impairment assessment and individual impairment is recognised. Adjustments to collective impairment made in connection with the transition to IFRS are described in Note 48.49 concerning additional financial information.

Impairment losses on loans and receivables are recognised in the balance sheet using an allowance account, which adjusts the book amount of the receivable. In the income statement, impairment losses are recognised in impairment losses on loans and other receivables. If the amount of impairment loss later decreases, the impairment loss is reversed accordingly.

Loans and receivables are derecognised when no further payments are expected and the actual final loss can be determined. In connection with derecognition, the previously recognised impairment is reversed and the final credit loss is recognised. Payments on derecognised receivables received later are recognised in the income statement as an adjustment of impairment losses.

4. INTANGIBLE ASSETS

The most significant intangible assets of the POP Bank Group are comprised of banking and insurance information systems. Banking's intangible assets are mainly information systems implemented by the POP Bank Group's partner Samlink Ltd over which the POP Bank Group has control as referred to in IAS 38 *Intangible Assets* and which yield economic benefit to the Group. Finnish P&C Insurance Ltd has obtained its information system from an external provider. The POP Bank Group has not capitalised internally produced intangible assets.

All of the Group's intangible assets have a limited useful life. The acquisition cost of intangible assets is amortised in the income statement on the basis of the following estimated useful lives. The estimated useful life is 3–5 years for information systems and 3–4 years for other intangible assets. The estimated useful life of the basic banking and insurance systems may be longer, but not more than 10 years.
The amortisation of the acquisition cost of intangible assets begins when the asset is ready to be taken into use. Intangible assets under development are annually tested for impairment. Research costs are recorded as expenses as they occur.

5. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

All of the properties owned by the POP Bank Group are divided into owner-occupied properties and investment properties. Owner-occupied properties are recognised under property, plant and equipment and investment properties under investment assets on the balance sheet.

The purpose of investment properties is to yield rental revenue or increase in value on capital. If a property is used both by the Group and for investment purposes, the parts are presented separately only if they can be divested separately. In this case, the division is based on the floor area of the properties. If the parts cannot be divested separately, the property is considered to be an investment property only when only a small part of it is used by the owner.

Both owner-occupied properties and investment properties are measured at acquisition cost less depreciation and impairment. Machinery and equipment as well as other property, plant and equipment are similarly also measured at acquisition cost less depreciation and impairment. Depreciation is based on the useful life of the assets. The average useful life for buildings is 30–40 years. The useful life for technical equipment, renovations and machinery and equipment is 3–10 years. Land is not subject to depreciation.

Depreciation and impairment on property, plant and equipment are included in depreciation, amortisation and impairment loss on intangible assets and property, plant and equipment. Depreciation on investment properties is recognised in the income statement under net investment income. Capital gains and losses are determined as the difference between the income received and balance sheet values. Proceeds from the sale of owner-occupied properties are recognised under other operating income and losses under other operating expenses. Proceeds and losses from the sale of investment properties are recognised in net investment income.

6. LEASES

The Group leases properties it owns or parts thereof by way of operating leases pursuant to IAS 17 *Leases*. In the leases, the essential risks and benefits of ownership remain with the lessor. Rental revenue from investment properties is recognised in net investment income and from other properties in other operating income.

The Group is leasing office equipment and premises it uses for business. Leases have been classified as operating leases in accordance with IAS 17. Rental expenses are recognised in other operating income over the period of lease.

7. NON-LIFE INSURANCE ASSETS AND LIABILITIES

7.1 Financial assets of non-life insurance

Financial assets of non-life insurance are classified as available-for-sale financial assets.

7.2 Contracts issued by the insurance company

Insurance products are classified as insurance contracts or investment contracts. Insurance contracts include those with which a significant insurance risk is transferred from the policyholder to the insurer or entitle the policyholder to a discretionary share of the company's surplus. Other contracts are classified as investment contracts.

All of the insurance products issued by the POP Bank Group are treated in the Group's consolidated financial statements in accordance with IFRS 4 *Insurance Contracts*.

7.3 Liabilities for insurance contracts

Technical provisions are calculated in accordance with the national accounting policies.

The insurance contracts issued by the company are primarily annual policies. Premiums written include insurance premiums for the contract periods that have begun during the financial year. After this, the expected expiries are deducted from the premiums written. The portion of premiums written for the post-balance sheet date is recorded as provision for unearned premiums in the balance sheet. The amount of the provision for unearned premiums is calculated at the monthly level from previous premiums written using straight-line depreciation.

The provision for unearned premiums ceded to reinsurers is calculated similarly to the direct insurer's share. The provisions for unpaid claims ceded to reinsurers is reserved on a case-by-case basis.

Claims paid out to policyholders and claim settlement expenses are charged to claims incurred when the company makes the decision to pay out the claim. Claims unsettled on the balance sheet date for losses already occurred and their settlement expenses – including claims incurred but not yet reported – are reserved in the provision for unpaid claims. Provisions for unpaid claims consist of both claims reserved for individual cases and a collective reservation proportioned to previous Insurance premium revenue. The claims paid out and change in the provisions for unpaid claims make up the claims incurred.

Provisions for unpaid claims for annuities are discounted based on a constant discount rate. The company did not have confirmed pension liabilities on the closing date.

As part of the provisions for unpaid claims, the company reserves equalisation provisions. Equalisation provisions are an item calculated in case of claim-intensive years based on theoretical risk. The equalisation provision was EUR 0 on the closing date.

The sufficiency of the provision for unearned premiums in non-life insurance and provision for unearned premiums is assessed separately. Provisions for unpaid claims are based on estimates of future claim cash flows. The estimates are made using well-established actuarial methods. Any insufficiency of provision for unearned premiums identified is corrected by adjusting the calculation bases.

8. PROVISIONS

A provision is recognised when a legal or factual obligation has emerged due to a previous event and the fulfilment of the obligation is likely. A provision is recognised when the Group can reliably assess the amount of the obligation. Any remuneration paid by a third party is recognised as a separate item when receiving the remuneration is considered practically certain. The provision is measured at the present value of the amounts paid to fulfill the obligation. The POP Bank Group did not have provisions on the closing date.

9. EMPLOYEE BENEFITS

The Group's employee benefits in accordance with IAS 19 *Employee Benefits*consist mainly of short-term employee benefits, such as holiday pay and bonus payments, which are expected to be paid in connection with the work performance they are related to or within the following 12 months.

Benefits related to the termination of employment consist of severance payments.

Post-employment benefits consist of pensions and other benefits paid out after the termination of employment. Statutory pension cover is arranged through external pension insurance companies. Most of the Group's pension arrangements are defined contribution plans. Defined benefit plans are contracts that include additional pension cover.

Expenses from defined contribution plans are recognised in personnel expenses in the period during which they are charged by the insurance company.
The asset or liability recognised in respect of a defined benefit plan is the present value of the obligation on the closing date less the fair value of plan assets. The present value of the pension obligation has been calculated by discounting the estimated cash flows using the discount rate based on the

market yield of high-quality bonds issued by companies.

The amount of the pension liability is calculated annually by independent actuaries. The obligation is calculated using the projected unit credit method.

Pension costs are charged to expenses over the employees' working lives and recognised in personnel expenses. Items resulting from remeasurements of the net defined benefit liability are recognised in other comprehensive income in the period they occur. These items will not be reclassified to the income statement in later financial periods.

10. PRINCIPLES FOR RECOGNISING INCOME AND EXPENSES

10.1 Interest income and expenses

Interest income and expenses are amortised over the maturity of the contract using the effective interest rate method, in proportion to the remaining carrying amount in the balance sheet. Interest income and expenses are recognised in net interest income. Interest income and expenses related to insurance assets are recognised in net income from insurance in the income statement.

Negative interest rates did not have a significant effect on the interest income or expenses of the POP Bank Group.

Negative interest on financial assets is recognised in interest expenses and positive interest on financial liabilities in interest income.

10.2 Commission income and expenses

Commission income and expenses are generally recognised on an accrual basis when the related services are performed. Commissions and fees relating to services performed over several years are amortised over the service period. Commissions and fees that are considered as an integral part of the effective interest of a financial instrument are accounted for as an adjustment to the effective interest. However, commissions and fees relating to financial instruments measured at fair value through profit or loss are recognised in the income statement on initial recognition.

10.3 Dividends

Dividends are primarily recognised when the General Meeting of Shareholders of the distributing entity has made a decision on dividend payout and the right to receive dividends has emerged. Dividend income is recognised in net investment income or net income from insurance operations with the exception of dividends from real estate companies, which

Net interest income	Interest income and expenses on financial assets and liabilities, the amount of amortisation on the difference between the nominal and acquisition values, interest on interest-rate derivatives
Commissio income and expenses	Commission income from lending, deposits and legal tasks, commission income and expenses from payments, commission income from securities
Net trading income	Capital gains and losses and fair value changes and dividends from financial instruments at fair value through profit or loss, net gains on foreign exchange operations, net gains on fair value hedges
Net investment income	Net income from available-for-sale financial assets (realised capital gains and losses, impairment losses, dividends), net income from investment property (rental and dividend income, capital gains and losses and maintenance charges and expenses related to investment property, depreciation and impairment losses)
Net income from non-life insurance	Premiums written, change in insurance liability, claims paid and net investment income (interest, realised capital gains and losses and impairment of investments)
Other operating income	Rental and dividend income and capital gains from owner-occupied properties, other operating income.
Personnel expenses	Wages and salaries, social expenses and pension expenses
Other operating expenses	Administrative expenses, rental expenses and capital losses from owner-occupied properties, other business operations-related expenses

are recognised in net investment income or other operating income, depending on the purpose of use of the property.

10.4 Premiums

Premiums written from non-life insurance operations are recognised in net income from insurance in the income statement. Premiums are recognised in premiums written in accordance with the charging principle.

10.5 Presentation of income statement items

Income statement items are presented in the financial statements using the below principles.

11. INCOME TAX

Income tax expense shown in the income statement includes current tax, based on the taxable income of the POP Bank Group companies for the financial year, adjustments for income tax for prior financial years and change in deferred taxes. Tax expenses are recognised in the income statement except when they are directly linked to items entered into equity capital or other items in the statement of comprehensive income, in which case the tax effect is also included in these items.

Deferred tax liabilities and assets are calculated on taxable and deductible temporary differences between the carrying amount and the tax basis. Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply at the time when the temporary difference is reversed.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that future taxable profit will be probable and unused tax credits can be utilised.

12. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The application of IFRS requires the management's assessments and assumptions concerning the future. These affect the reported amounts in the financial statements and the information included in the notes. The management's main estimates concern the future and the key uncertainties related to the amounts at the balance sheet date. In particular, they are related to fair value assessment and impairment of financial assets and intangible assets, as well as the assumptions used in actuarial analyses.

12.1 Presentation of the financial rights of the banks that have resigned from POP Bank Alliance Coop

The management of POP Bank Gorup has exercised judgement with regard to the accounting principles concerning the presentation of the financial rights of the banks that have resigned from POP Bank Alliance Coop.

POP Bank Alliance Coop has undertaken to refund the contributions paid by the banks that have resigned from it which are included in the cooperative capital in the separate financial statements of POP Bank Alliance Coop. The contributions that will be refunded are presented in other liabilities of the POP Bank Group because the member cooperative banks of POP Bank Alliance Coop have undertaken to pay the refund if POP Bank Alliance Coop is unable to pay the cooperative capital refunds to the resigned banks. Due to this commitment, the refunded amount is not presented on the balance sheet of the POP Bank Group as minority interests of equity capital. The commitment to refund cooperative capital is deemed to have emerged when the cooperative meeting of the resigned bank decided to resign from POP Bank Alliance Coop. Other liabilities are presented in Note 48.38.

The financial rights of the resigned banks expire when POP Bank Alliance Coop has paid the refunds of cooperative capital to the resigned banks. A share equal to the interest of the resigned banks has been separated from the equity capital of POP Bank Alliance Coop, and it is presented as non-controlling interests in accordance with IFRS 10 Consolidated Financial Statements, except for contributions to be refunded, which are presented in other liabilities. The non-controlling interests presented under the POP Bank Group's equity capital also includes the share of the equity capital of the wholly- or partly-owned subsidiaries of POP Bank Alliance Coop corresponding to the resigned banks' indirect holdings. Non-controlling interests are presented in Note 48.46.

12.2 Impairment losses on financial assets

The management must regularly assess whether there is objective evidence of impairment of financial assets and, when necessary, carry out impairment testing on the asset. In addition, the management must assess at the end of each reporting period whether there are indications of impairment of non-financial assets.

The impairment testing of receivables is carried out individually or on a collective basis. The most important matters that require assessment are the identification of objective factors and future cash flows. The principles of individual and collective impairment are described in more detail in section 3.4. Impairment losses on financial assets.

The impairment testing of available-for-sale financial assets, as well as debt securities included in loans and receivables must be conducted at the end of the reporting period. If there is objective evidence of impairment, any impairment loss is recognised in the income statement. The verification of objective evidence involves management's judgement. In addition, impairment loss on an equity investment must be recognised if the impairment is significant or prolonged. The Board of Directors of POP Bank Alliance Coop has determined that a decline in the fair value of an investment in an equity instrument 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.

12.3 Determining fair value

Determining the fair value of unquoted investments requires the management's judgement and estimates of several factors used in the estimates, which can differ from the actual outcomes, thereby leading to a significant change in the value of the available-for-sale investment and equity capital.

The management must assess whether the markets for financial instruments are active or not. Furthermore, the management must assess whether an individual financial instrument is subject to active trading and whether the price information obtained from the market is a reliable indication of the instrument's fair value. When the fair value of financial instruments is determined using a valuation technique, the management's judgement is needed in the choice of the valuation technique to be applied. Insofar as there is no market input available for the techniques, the management must evaluate how other data can be used for the valuation.

Compound instruments, such as index-linked bonds, usually have no active aftermarket. In this case, fair value is based on imputed value determined by an external partner of the Group. More detailed information on the measurement of such instruments is presented in Note 26.

The fair value of OTC derivatives is measured based on price components available in the market, such as interest rates, in accordance with commonly used valuation models. More detailed information on the measurement of derivative contracts is presented in Note 26.

12.4 Impairment of intangible assets

The impairment of intangible assets must be assessed when there are indications of the impairment of an asset. The amount recoverable from intangible assets is determined in the impairment assessment on the basis of the use value or fair value of the asset. Impairment testing requires management's judgement and assessment of the recoverable amount of the asset in question, as well as the interest rate used for discounting.

12.5 Assumptions used in actuarial calculations

Liabilities arising from insurance contracts involve several discretionary factors and estimates. Besides actuarial analyses of Group's own claims statistics, the assessments are based on statistical data and assumptions related to the operating environment. Provisions for unpaid claims related to major losses are made on a case-by-case basis. The management's discretion is particularly required when assessing the claims incurred arising from major losses. The assumptions concerning the provision for unearned premiums are evaluated annually.

13. NEW IFRS STANDARDS AND INTERPRETATIONS

In the financial period starting on 1 January 2016, the POP Bank Group will adopt the following new standards and interpretations published by IASB, if they are approved to be applied in the EU before the end of the financial period.

Changes and improvements to existing standards

- 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 entities to apply judgement in determining what information to present in the financial statements. For instance, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial statements. The amendments are not expected to have a material effect on the POP Bank 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 clarify IFRS 11 in terms of the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. In this case, the accounting for business combinations should be applied. The amendments are not expected to have a material effect on the POP Bank 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 procedure provides minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments are related to four standards. Their effects vary depending on the standard, but they are not significant.

Other significant amendments that are effective for financial years beginning later than 1 January 2016.

- New IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018): The standard replaces the existing standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the recognition and measurement of financial instruments. This also includes a new expected credit loss model for calculating impairment on financial assets. Furthermore, the general hedge accounting requirements have been revised. The requirements of IAS 39 on recognition and derecognition of financial instruments have been retained. The POP Bank Group is assessing the effects of the standard. The impairment regulations are expected to have a material effect on the POP Bank Group's financial statements.

- New IFRS 15 *Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018): IFRS 15 addresses revenue recognition and specifies new information to be presented in the financial statements concerning the nature, quantity and uncertainty of sales revenue, as well as cash flows related to sales revenue. The standard replaces the standards IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the interpretation 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 POP Bank Group has started assessing the possible impacts of the standard.

* = Not yet endorsed for use by the European Union as at 31 December 2015.

14. ACCOUNTING POLICIES CONCERNING THE TRANSITION TO IFRS

The POP Bank Group formed the legal entity amalgamation of POP Banks when it started operations on 31 December 2015. Before the formation of the amalgamation, the Group did not have a statutory obbligation to prepare combined FAS financial statements. Additional financial information is presented as notes to the first IFRS financial statements of the POP Bank Group, including the financial statements prepared in accordance with IFRS for the financial years 1 January–31 December 2015 and 1 January–31 December 2014.

The purpose of the additional financial information is to provide investors, credit rating agencies and other stakeholders with useful information about the POP Bank Group's financial position and formation of earnings during the time preceding the formation of the amalgamation. The preparation of the consoldiated financial statements as a single entity is based on the "common management" concept. Because the POP Bank Group has not been under joint control, the Group has operated under joint management already before the formation of the amalgamation.

The IFRS financial statements presented as additional financial information have been prepared using the "combined financial statements" principle by consolidating the audited separate financial statements of the companies included in the POP Bank Group prepared pursuant to the national accounting and financial statement standards so that the inter-company items have been eliminated and the balance sheet and income statement items have been adjusted to correspond to IFRS. The member cooperative banks have applied *IAS 39 Financial Instruments: Recognition and Measurement* in accordance with the Financial Supervisory Authority's regulation 1/2013 on the accounting, financial statement and Board of Directors' report in the financial sector. Bonum Bank Ltd has adopted IFRS in the financial statements prepared for the financial year 1 January–31 December 2015.

The POP Bank Group presents the opening IFRS balance sheet as at the IFRS adoption date 1 January 2014 as part of the additional financial information. The effects of the transition to IFRS on the financial position, earnings and cash flows of the POP Bank Group on has been described in Note 48.49. Because the POP Bank Group has not previously prepared consolidated financial statements, it is not possible to present a reconciliation between the FAS and IFRS balance sheets.

The POP Bank Group has applied an exemption allowed by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to first-time adopters: IFRS 3 *Business Combinations* has not been applied retrospectively to business combinations that have taken place before 1 January 2014.

NOTE 48.8: Governance and management

The structure of the POP Bank Group and amalgamation of POP Banks are presented in Note 1.

The operations of the amalgamation of POP Banks are regulated by the European Union's regulations, national legislation and regulations issued by the authorities. The key national acts are the Act on Credit Institutions (610/2014; hereinafter referred to as the "Credit Institutions Act), Act on the Amalgamation of Deposit Banks (599/2010; hereinafter referred to as the "Amalgamation Act"), Co-operatives Act (421/2013), Act on Co-operative Banks and Other Credit Institutions in the Form of a Cooperative (423/2013), Limited Liability Companies Act (624/2006) and Act on Insurance Companies (521/2008). In addition, the amalgamation complies with good banking practice and policies concerning the processing of personal data in its operations.

The scope of consolidation of the POP Bank Group differs from the scope of consolidation of the amalgamation of POP Banks. The POP Bank Group consists of the amalgamation of POP Banks and entities over which the entities included in the amalgamation exercise control as referred to in the Accounting Act (1336/1997).

The POP Bank Group entities not included in the amalgamation are entities other than credit and financial institutions or services companies. The most significant of them are POP Holding Ltd, Finnish P&C Insurance Ltd and POP Banks' guarantee fund.

1. ENTITIES INCLUDED IN THE AMALGAMATION OF POP BANKS

1.1 Central institution POP Bank Alliance Coop

POP Bank Alliance Coop is the central institution of the amalgamation of POP Banks, and it is licensed as the central institution of an amalgamation of deposit banks. POP Bank Alliance Coop is owned by its member credit institution; however, they use their voting rights in a cooperative meeting of POP Bank Alliance Coop so that the subsidiary Bonum Bank Ltd has no voting rights in a cooperative meeting.

1.2 POP Banks

POP Banks are member credit institutions of POP Bank Alliance Coop with deposit bank licences. POP Banks are cooperatives (cooperative banks) in terms of company form. The cooperative meeting of the members of the bank or an elected representatives' meeting is the supreme decision-making body of POP Banks. The cooperative meeting or representatives' meeting elects a Supervisory Board for the bank, which elects the Board of Directors. The Managing Director is appointed by the Supervisory Board or the Board of Directors, depending on the bank's rules.

1.3 Central credit institution Bonum Bank Ltd

Bonum Bank Ltd is a member credit institution and subsidiary of POP Bank Alliance Coop. Bonum Bank Ltd is licensed as a deposit bank. As a member credit institution and subsidiary of POP Bank Alliance Coop, Bonum Bank Ltd is included in the scope of both the member credit institutions of the central institution and group management. Bonum Bank Ltd functions as the central credit institution of POP Banks, and it can also engage in other banking operations besides central credit institution operations.

1.4 Other entities in the amalgamation

Other entities belonging to the amalgamation include the companies included in the consolidation groups of the member cooperative banks, and they are primarily real estate companies. In addition, the amalgamation includes those credit institutions, financial institutions and service companies in which entities included in the amalgamation jointly hold over 50% of the votes.

2. ADMINISTRATIVE ORGANS OF THE CENTRAL INSTITUTION OF THE AMALGAMATION OF POP BANKS

2.1 Cooperative meeting of POP Bank Alliance Coop

The cooperative meeting is the supreme decision-making body of POP Bank Alliance Coop. The cooperative meeting confirms the rules and adopts the financial statements and balance sheet of the central institution, decides on the POP Bank Group's strategy and elects the members of the Supervisory Board and the auditor. One member shall be elected to the Supervisory Board from each member credit institution; however, not from a subsidiary of the central institution acting as a member credit institution.

2.2 Supervisory Board of POP Bank Alliance Coop

It is a key task of the Supervisory Board of POP Bank Alliance Coop to supervise that the operations of the central institution are managed with expertise and care in compliance with the legislation, guidelines and the members' interests and that the ratified guidelines and decisions by the cooperative meeting are followed.

It is the duty of the Supervisory Board to issue a statement on the amalgamation's strategy and financial statements prepared by the Board of Directors of the central institution to the cooperative meeting and to annually confirm the principles of capital adequacy management of the amalgamation of POP Banks. The Supervisory Board also ratifies the general operating principles of the POP Bank Group and the principles of bank-specific management.

The Supervisory Board elects and discharges the members of the Board of Directors, the Managing Director, their deputy and the head of audit and decides on the Managing Director's contract of employment and the emolument of the head of audit.

The Supervisory Board elects an executive and nomination committee form among its number to prepare matters related to the appointment and salaries and remuneration of the Supervisory Board and Board members, the Managing Director and his deputy and the head of audit. The Supervisory Board elects an audit committee from among its number to take care of the supervisory duties for which the Supervisory Board is responsible.

2.3 Board of Directors of POP Bank Alliance Coop

The Board of Directors of the central institution manages the central institution professionally in accordance with sound and prudent business practice. The Board of Directors is responsible for the appropriate and reliable organisation of the governance and operations of the central institution.

The Board of Directors of the central institution confirms the amalgamation's risk level and risk appetite based on the strategy and business plans and approves the plan concerning the maintenance of capital adequacy proportioned to the risk level. The Board of Directors sets the target level for capital adequacy and confirms the level and structure of capital required by the risk profile. The Board of Directors is also responsible for proactive capital planning.

The Board of Directors is responsible for the sufficiency of the risk management system at the amalgamation level. It is the task of the Board of Directors to guide the operation of the amalgamation and issue the member credit institution belonging to it guidelines on their risk management, reliable governance and internal control to secure their solvency and capital adequacy. The Board of Directors supervises that the companies belonging to the amalgamation operate in compliance with the laws, decrees, regulations and instructions issued by the authorities, their own rules and the binding guidelines of the amalgamation. Moreover, it is the duty of the Board of Directors to oversee the functioning and sufficiency of internal control and risk management, approve the principles and guidelines of risk management and the risk category-specific strategies.

The Board has a risk committee whose task it is to monitor and prepare the Board's duties related to risk management. The members of the risk committee were appointed in January 2016. The tasks of the risk committee include assisting the Board of Directors in matters related to the amalgamation's risk strategy and risk-taking ability, preparing risk category-specific strategies and overseeing and coordinating the member credit institutions' risk management and capital adequacy. In addition, the committee monitors the preparation and implementation of the capital adequacy management plan.

The Board has an audit committee whose task it is to monitor and prepare the Board's duties related to internal audit. The members of the audit committee were appointed in January 2016. The tasks of the audit committee include reviewing the reports submitted by the internal audit function and present them to the Board of Directors, monitor and oversee the statutory audit of the amalgamation and supervise ocmpliance with laws, regulations and decrees.

The assessment of the competence of Board member candidates is carried out following pre-defined and neutral selection grounds. A diverse composition of the Board of Directors aims at the optimum ability to develop and manage the efficiency, competitiveness and risk management of the central institution and amalgamation. In planning the composition of the Board of Directors, it is ensured that the required competence is represented at each time. Regional representation is also part of the assessment of diversity. Equal representation of both genders in the Board of Directors is an important aspect of diversity. The Board of Directors approves the objective of equal representation of genders and prepares the operating principles with which the objective is achieved and maintained. The Board of Directors annually reviews the knowledge and skills, experience and diverse necessary for its work and the job description of new members.

The members of the Board of Directors shall have the preconditions for successfully taking care of their duties and sufficient time for it. A Board member and member of the executive management must have sufficient expertise in the amalgamation's business, related key risks and managerial work. A majority of the Board members shall be employed by a member credit institution of the amalgamation. Board members must be reliable persons with a good reputation. The reliability, suitability and professional skills of persons elected as Board members are assessed in connection with their election and at regular intervals thereafter.

The Board of Directors of the central institution ahs specified a maximum number of board memberships of a Board member. A member of the Board of Directors may be a member of a maximum of four other boards of directors. In calculating the number of board memberships, memberships of the boards of directors within the POP Bank Group or those related to the Group's cooperative relationships or membership in the administrative organs of entities with no commercial purposes, such as non-profit or charity organisations and housing associations. The Board members are Managing Directors of POP Banks. Except for one, they have no other managerial duties.

The members of the Board of Directors at the end of the financial year on 31 December 2015 were Soile Pusa (Chairman), Petri Jaakkola (Vice Chairman), Ari Heikkilä, Kirsi Pallas, Teemu Teljosuo and Hannu Tuominiemi.

2.4 Managing Director of POP Bank Alliance Coop

The central institution has a Managing Director who is responsible for the day-to-day management and administration of the central institution in accordance with the instructions and orders issued by the Board of Directors. The Managing Director prepares the matters presented to the Board of Directors and assists the Board of Directors in the preparation of matters presented to the Supervisory Board and the cooperative meeting. The Managing Director of POP Bank Alliance

Coop is Heikki Suutala and his deputy is Timo Hulkko. The Managing Director can also be the representative of the POP Banks' guarantee fund (PVR) and Managing Director of POP Pankkien työnantajayhdistys ry. The Managing Director is required seek the approval of the Board of Directors for any other secondary jobs.

3. CONTROL AND RISK AND CAPITAL ADEQUACY MANAGEMENT OF THE AMALGAMATION OF POP BANKS

In accordance with the Amalgamation Act, POP Bank Alliance Coop, the central institution of the amalgamation of POP Banks, is responsible for supervising the operations of the member credit institutions and issuing them binding guidelines concerning risk management, reliable governance and internal control to secure their liquidity coverage ratio and capital adequacy and for issuing instructions concerning the preparation of the consolidated financial statements of the amalgamation for the purpose of compliance of harmonised accounting policies. Moreover, the central institution can confirm general operating principles for its member credit institutions to follow in their operations significant from the point of view of the amalgamation as specified in its rules.

The central institution supervises that the entities included in the amalgamation comply with laws, decrees, instructions and regulations issued by the authorities, their own rules and the Group's internal binding guidelines in their activities.

If necessary, the central institution issues instructions to an individual member credit institution and, if necessary, interferes in the operations of the member credit institution in accordance with separately agreed principles and procedures. The Board of Directors of the central institution decides on the use of the necessary control methods.

The member credit institution carry their operational risks independently and are liable for their liquidity coverage ratio and capital adequacy. However, a member credit institution of the amalgamation may not take such high risk in its operations that it causes essential risks to the combined liquidity coverage ratio or capital adequacy of the entities included in the amalgamation.

The capital adequacy, liquidity coverage ratio and customer risks of the entities included in the amalgamation of POP Banks are supervised at the consolidated amalgamation level in accordance with the Amalgamation Act. The entities included in the amalgamation must have the minimum combined own funds that is sufficient for covering the consolidated risks of the companies included in the amalgamation specified in more detail in the Act on Credit Institutions. In addition, the combined own funds of the entities included in the amalgamation must be sufficient in relation to the combined customer risks and combined significant holdings of the entities included in the amalgamation.

The central institution has reliable governance that enables the effective risk management of the amalgamation and sufficient internal control and risk management systems considering the operations of the amalgamation.

In accordance with the Amalgamation Act, the Financial Supervisory Authority may grant the central institution a permit to decide on granting certain exceptions related to capital adequacy and liquidity coverage ratio to its member credit institutions. The amalgamation of POP Banks did not have such exceptional procedures in use. Intra-group items are treated as normal external exposures.

The principles followed in the risk management of the amalgamation of POP Banks are described in more detail in Note 48.9.9 on risk management and capital adequacy management.

4. JOINING AND RESIGNING FROM THE AMALGAMATION OF POP BANKS

Credit institutions whose rules or Articles of Association are compliant with the provisions of the Amalgamation Act and whose rules or Articles of Association the central institution has approved can be members of the central institution of the amalgamation of POP Banks. The central institution's Supervisory Board decides on acceptance as a member based on a written application.

A member credit institution has the right to resign from the central institution in accordance with the rules of the central institution and the provisions of the Co-operatives Act and Amalgamation Act when the conditions laid down by them are met. The combined amount of the own funds of the companies included in the amalgamation must remain at the level required by the Amalgamation Act in spite of the resignation of a member credit institution.

A member credit institution can be dismissed from the central institution in accordance with the rules of the central institution and the Co-Operatives Act if the member credit institution has neglected its duties arising from its membership. Furthermore, a member credit institution can be dismissed from the central institution if it has, in spite of a warning issued by the Supervisory Board, neglected compliance with the instructions issued by the central institution under section 17 of the Amalgamation Act in a way that significantly threatens joint liquidity coverage or the application of principles concerning capital adequacy management or the preparation of financial statements or the supervision of compliance with them in the amalgamation. A member credit institution can also be dismissed if the member credit institution has otherwise acted essentially in violation of the general operating principles of the amalgamation ratified by the central institution or the interests of the central institution or the POP Bank Group. The decision on dismissing a member credit institution is made by a cooperative meeting of the central institution at the proposal of the Supervisory Board.

The provisions of the Amalgamation Act on the liability to pay of a member credit institution are also applied to a credit institution that has resigned or has been dismissed from the central institution if less than five years have passed since the end of the calendar year in which the member credit institution resigned or was dismissed when the demand concerning liability to pay is made to the member credit institution.

5. CENTRAL INSTITUTION'S LIABILITY FOR DEBT AND JOINT LIABILITY OF MEMBER CREDIT INSTITUTIONS

The central institution of the amalgamation of POP Banks is liable for the debt and commitments of its member credit institutions in accordance with the Amalgamation Act. As a support measure referred to in the Amalgamation Act, the central institution is liable to pay any of its member credit institutions an amount that is necessary to prevent the credit institution from being placed in liquidation. The central institution is liable for the debts of a member credit institution which cannot be paid using the member credit institution's capital.

Each member credit institution is liable to pay a proportion of the amount which the central institution has paid to either another member credit institution as part of support action or to a creditor of such member credit institution in payment of an amount overdue which the creditor has not received from the member credit institution. Furthermore, in the case of the central institution's default, a member credit institution has unlimited refinancing liability for the central cooperative's debts as referred to in the Co-operatives Act.

Each member credit institution's liability for the amount the central institution has paid to the creditor on behalf of a member credit institution is divided between the member credit institutions in proportion to their last adopted balance sheets. The combined annual amount collected from each member credit institution in order to prevent liquidation of one of the member credit institutions may in each financial year account for a maximum of 0.5% of the last confirmed balance sheet of each member credit institution.

6. SUPERVISION OF THE AMALGAMATION OF POP BANKS

The Financial Supervisory Authority supervises the central institution in accordance with the Amalgamation Act. The member credit institutions are supervised by the Financial Supervisory Authority and the central institution.

The Financial Supervisory Authority supervises that the central institution controls and supervises the operations of the member credit institutions in accordance with the provisions of the Amalgamation Act and that the entities included in the amalgamation meet their statutory requirements.

The central institution supervises that the companies belonging to the amalgamation operate in compliance with the legislation and decrees on the financial market, regulations issued by the authorities, their own rules and Articles of Association and the instructions issued by the central institution in accordance with section 17 of the Amalgamation Act. Furthermore, the central institution supervises the financial position of the companies belonging to the amalgamation.

The internal audit unit of the amalgamation's central institution is responsible for the organisation of internal audit in the central institution and member credit institution, and it controls the organisation of internal audit in the other companies belonging to the amalgamation.

7. PROTECTION AFFORDED BY THE DEPOSIT GUARANTEE FUND AND THE INVESTORS' COMPENSATION FUND

According to the legislation concerning the Deposit Guarantee Fund, the deposit banks belonging to the amalgamation of POP Banks are considered to constitute a single bank in respect of deposit insurance. The Deposit Guarantee Fund reimburses a maximum total of EUR 100,000 to an individual account holder who has receivables from deposit banks belonging to the amalgamation of POP Banks. The Financial Stability Board was established within the Ministry of Finance in early 2015 to carry out duties related to deposit protection and administer the Deposit Guarantee Fund.

Furthermore, in accordance with the legislation on the investors' compensation fund, the amalgamation of POP Banks is considered to constitute a single bank in terms of deposit insurance. The Investors' Compensation Fund reimburses a maximum total of EUR 20,000 to an investor who has receivables from entities belonging to the amalgamation of POP Banks.

8. FINANCIAL STATEMENTS AND AUDIT OF THE POP BANK GROUP

In accordance with the Amalgamation Act, the financial statements of the POP Bank Group shall be prepared in compliance with the International Financial Reporting Standards (IFRS) referred to in the Accounting Act. In accordance with IFRS; also other significant entities included in the POP Bank Group must be consolidated in the financial statements. The accounting policies are described in Note 2.

In accordance with the Amalgamation Act, the central institution is liable to issue instructions to the member credit institutions for the purpose of harmonising the accounting policies applied in preparing the financial statements of the POP Bank Group. The member credit institutions are liable to provide the central institution the POP Bank Group the information required for consolidating the financial statements.

The central institution has one auditor that must be a firm of Authorised Public Accountants. The auditor is elected by the cooperative meeting. The auditor's term of office is a calendar year. POP Bank Alliance Coop's auditor is KPMG Oy Ab, Authorised Public Accountants, with Johanna Gråsten, Authorised Public Accountant, as the main auditor. The auditor also audits the consolidated financial statements referred to in the Amalgamation Act. The central institution and its auditors have the right to receive a copy of the documents concerning the audit of a member credit institution for the purpose of auditing the consolidated financial statements of the POP Bank Group.

A member credit institution is not obliged to publish interim reports pursuant to Chapter 12, section 12 of the Act on Credit Institutions, or the capital adequacy information pursuant to the EU's Capital Requirements Regulation ("Pillar III disclosures"). The information required by the EU's Capital Requirements Regulation are presented of the amalgamation of POP Banks.

9. REMUNERATION

Remuneration scheme refers to the decisions, contracts, policies and procedures followed in rewarding the management and personnel.

Remuneration is divided into fixed and variable remuneration. Fixed remuneration refers to salaries tied to a specific period of time and variable remuneration refers to remuneration tied to the beneficiary’s performance or financial factors. Variable remuneration includes both short and long-term remuneration. In short-term remuneration, the earning period is the calendar year and the reward is paid in cash.

At the POP Bank Group, variable remuneration is company-specific. The POP Bank Group does not have a uniform remuneration scheme. The remuneration schemes are based on the business strategy, objectives and values of each member credit institution or company, and they are aligned with the company’s long-term interests. The remuneration schemes are in harmony with the bank's proper and effective risk management and risk-bearing capacity. Remuneration does not encourage risk-taking that would exceed the risk level defined on the basis of the risk-bearing capacity of the member credit institutions or the company or otherwise sustainable risk level.

The member credit institution- and company-specific remuneration schemes are based on EU legislation, national legislation and the regulations, guidelines and opinions issued by the Financial Supervisory Authority.

The amalgamation of POP Banks follows the Act on Credit Institutions, with the exceptions mentioned below, when deciding on the remuneration scheme of the executive management and employees of the member credit institutions.

The remuneration principles at the member credit institutions are usually confirmed by each member credit institution’s Board of Directors, which also monitors and supervises compliance with the remuneration schemes and regularly assesses their functionality. The executive management is responsible for the implementation of remuneration in accordance with the confirmed remuneration principles. The amalgamation of POP Banks bank does not have a joint remuneration committee for the management of the remuneration scheme. It has not been deemed necessary as each entity belonging to the amalgamation makes decisions on remuneration independently.

The internal audit function of the amalgamation verifies at least once a year whether the remuneration scheme, as approved by the member credit institution’s Board of Directors, has been complied with. With the start of the operations of the amalgamation, the internal audit unit will annually report a summary of the remuneration schemes of the member credit institution and compliance with them to the Board of Directors of the central institution.

The remuneration of control functions independent from business operations is not dependent on the earnings of the supervised business unit at the amalgamation of POP Banks.

Not all member credit institutions have variable remuneration in use. The member credit institutions in which variable remuneration is in use have different remuneration schemes. The systems differ with regard to, inter alia, the personnel included in their scope, the amount of remuneration and the remuneration criteria.

The member credit institution may decide not to pay any variable remuneration either partially or at all by way of a decision of the Board of Directors, for example in the event the member credit institution's capital adequacy is below the level specified for it.

The payment criteria for severance pay or other comparable remuneration that is paid to a beneficiary if employment terminates prematurely are laid down so that compensation is not paid for failed performance.

Provisions on the payment of variable remuneration are laid down in the Act on Credit Institutions. The amalgamation of POP Banks does not apply the provisions of Chapter 8, sections 9, 11 and 12 of the Act on Credit Institutions to beneficiaries whose variable remuneration during an earning period of one year does not exceed EUR 50,000. The EUR 50,000 limit is based on the opinion of the Financial Supervisory Authority. This means that the payment of variable remuneration paid to the beneficiary need not be deferred but it can be paid as a lump sum.

If a person who, based on hisher 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. If the amount of variable compensation exceeds EUR 50,000, it is taken into account that at least half of the compensation must be affected in non-cash form. During 2015, no beneficiary’s remuneration payment was deferred and all remuneration paid was paid in cash form.

The amalgamation of POP Banks has identified significant risk-takers who can impact the risk profile of the amalgamation or a member credit institution or through their actions cause considerable financial risk to the amalgamation or member credit institution. The persons affecting the risk profile of the Amalgamation include the Managing Directors and other people participating in the management and decision-making in the member credit institutions, central institution or other companies along with other people with a major impact on the company’s risk exposure and people associated with functions independent of business operations. POP Bank Alliance Coop collects up-to-date information about significant risk-takers. Each group member is responsible for the accuracy and timeliness of its own information.

The member credit institutions publish a report on compliance with the provisions of the Act on Credit Institutions regarding remuneration on their websites. The information required by the EU’s Capital Requirements Regulation No 573/2013 article 450 about the remuneration of people who influence the POP Bank Group’s risk exposure is presented in Note 48.17, which also presents the salaries, wages and fees for the financial year.

NOTE 48.9: Risk and capital adequacy management at the POP Bank Group

1. OBJECTIVES AND PRINCIPLES OF RISK AND CAPITAL ADEQUACY MANAGEMENT IN BANKING

The purpose of the POP Bank Group's risk management is to ensure that all significant risks resulting from business activities are identified, assessed, measured and monitored on a regular basis and that they are proportionate to the risk-bearing capacity of the amalgamation and the individual member credit institution. The guidelines and decision-making concerning risks comply with sound and prudent business practices. Violations of the risk management principles are addressed in accordance with the agreed operating models.

The purpose of capital adequacy management is to ensure the sufficient amount, type and efficient use of the capital of the amalgamation of POP Banks. Capital covers the material risks arising from the amalgamation's business strategy and plan and secures the uninterrupted operation of the amalgamation in case of unexpected losses. The goal is pursued through a documented and systematic capital adequacy management process that is integrally linked to the amalgamation's and member credit institutions' strategy process and business planning and management.

The member credit institutions of the amalgamation carry their operational risks independently in their business and are liable for their liquidity coverage and capital adequacy. In addition, each member credit institution takes into account the effects of its operations on the liquidity coverage and capital requirements of the other member credit institutions of the amalgamation. The purpose of risk and capital adequacy management is to ensure that an individual member credit institution does not take such high risk in its operations that it would result in a material threat to the capital adequacy or solvency of the member credit institution, central institution or the entire amalgamation. The capital adequacy, liquidity coverage ratio and customer risks of the entities included in the amalgamation of POP Banks are supervised at the consolidated amalgamation level.

Risk and capital adequacy management is regulated by EU legislation, Act on Credit Institutions (610/2014), Act on the Amalgamation of Deposit Banks (24.6.2010/599; hereinafter referred to as the "Amalgamation Act") and the standards, regulations and guidelines issued by the Financial Supervisory Authority.

Risk management covers all of the essential risks associated with business operations. Risk management manages external and internal risks as well as quantitative and qualitative risks. The amalgamation also monitors dependencies between different risks. The most significant risks affecting the amalgamation are credit risk, liquidity risk and market risk as well as operational risk.

Credit risk is mitigated by the use of diversification and collateral. Liquidity risk is mitigated by the use of diversification of funding with regard to timing and counterparty. In addition, a sufficient liquidity reserve is maintained to prepare for unexpected liquidity crises. The most significant subtypes of market risk are the interest rate risk in the banking book and risk of investment operations. Interest rate risk is mitigated by balance sheet management structure and by hedging interest rate derivatives. The risk of investment operations is mitigated through diversification. Operational risk is managed through unambiguous processes and training of personnel, guidelines and control mechanisms.

The amalgamation of POP Banks focuses its business operations on the low-risk part of retail banking in accordance with its strategy. The amalgamation does not have excessively large customer or investment risk concentrations with regard to its financial risk-taking ability. The risk control function reports regularly on the risks of the amalgamation and member credit institution and their levels to the Board of Directors of the central institution.

Systems and practices intended for reporting on risks and monitoring them meet the requirements set for risk management, taking the nature and scope of the amalgamation's operations into account. The amalgamation's reliable management, internal control and risk control comply with the requirements of legislation and the requirements of the authorities.

Risk and capital adequacy management are an essential part of the internal control of the amalgamation. The purpose of internal control is to ensure that the organisation complies with regulations, carries out comprehensive risk management and operates efficiently and reliably. Moreover, internal control serves to ensure that the objectives and goals set for different levels of the amalgamation are achieved according to the specified guidelines.

2. ORGANISATION OF RISK AND CAPITAL ADEQUACY MANAGEMENT

The chart below describes the position of the administrative organs and the different functions of the central institution in the amalgamation's risk management.

2.1 Supervisory Board

The Supervisory Board of the amalgamation's central institution POP Bank Alliance Coop supervises that the operations of the central institution are managed with expertise and care in compliance with legislation, guidelines and the members' interests and that the ratified guidelines and decisions by the cooperative meeting are followed. The Supervisory Board issues a statement on the amalgamation's strategy and financial statements prepared by the Board of Directors of the central institution to the cooperative meeting and annually confirms the principles of capital adequacy management of the amalgamation of POP Banks.

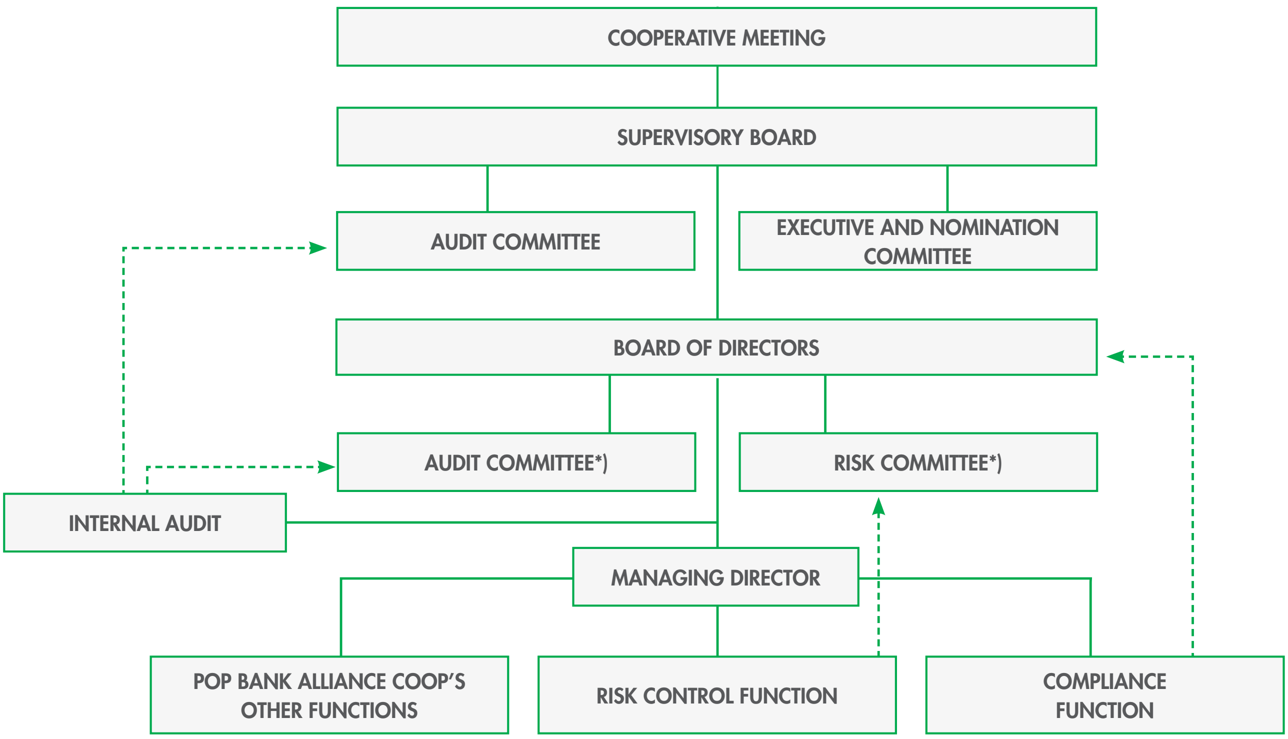
The Supervisory Board confirms the general operating principles of the amalgamation and the bank-specific control principles that define the principles for classifying the member credit institutions into different risk categories, the control methods in the different risk categories and the control indicators. Furthermore, the Supervisory Board confirms the other general control principles and operating principles of internal audit and elects the Audit Committee of the Supervisory Board from among its number. The Supervisory Board also confirms the operational and financial objectives of the central institution and its group of companies.

2.2 Board of Directors

The Board of Directors of the central institution confirms the amalgamation's risk level and risk appetite based on the strategy and business plans and approves the plan concerning the maintenance of capital adequacy proportional to the risk level. The Board of Directors sets the target level for capital adequacy and confirms the level and structure of capital required by the risk profile. The Board of Directors is also responsible for proactive capital planning and incorporation of capital adequacy management and preventive capital planning in reliable governance and other control. The Board of Directors assesses the appropriateness, adequacy and reliability of capital adequacy management.

The Board of Directors is responsible for the sufficiency of the risk management system at the amalgamation level. It is the task of the Board of Directors to guide the operation of the amalgamation and issue the member credit institution belonging to it binding guidelines pursuant to section 17 of the Amalgamation Act on their risk management, reliable governance and internal control to secure their liquidity coverage ratio and capital adequacy. The Board of Directors supervises that the companies belonging to the amalgamation operate in compliance with the laws, decrees, regulations and instructions issued by the authorities, their own rules and the binding guidelines of the amalgamation. Moreover, it is the duty of the Board of Directors to oversee the functioning and sufficiency of internal control and risk management, approve the principles and guidelines of risk management and the risk category-specific strategies.

The Board has a risk committee whose task it is to monitor and prepare the Board's duties related to risk management. The members of the risk committee were appointed in January 2016. The tasks of the risk committee include assisting the Board of Directors in matters related to the amalgama-



*) The Board of Directors of the central institution confirmed the members of the Risk Committee and Audit Committee in January 2016.

tion's risk strategy and risk-taking ability, preparing risk category-specific strategies and overseeing and coordinating the member credit institutions' risk management and capital adequacy. In addition, the committee monitors the preparation and implementation of the capital adequacy management plan.

The Board has an audit committee whose task it is to monitor and prepare the Board's duties related to internal audit. The members of the audit committee were appointed in January 2016. The tasks of the audit committee include reviewing the reports submitted by the internal audit function and present them to the Board of Directors, monitor and oversee the statutory audit of the amalgamation and supervise ocmpliance with laws, regulations and decrees.

2.3 Executive management

The amalgamation's executive management is responsible for the practical implementation, continuous monitoring, supervision and reporting of capital adequacy and risk management to the Board of Directors of the amalgamation. The executive management also ensures that the responsibilities, authorisations, processes and reporting relationships related to capital adequacy management have been clearly defined and sufficiently described and that the employees are familiar with capital adequacy management and the related processes and methods to the extent required by their duties.

2.4. Risk control function

The task of the central institution's independent risk control function is to supervise the risks and capital adequacy of the member credit institutions. Its task is to form a comprehensive view of the risks associated with the business operations of the amalgamation and member credit institutions, develop risk management methods and operating models for identifying, measuring and controlling risks and coordinate and develop the capital adequacy management process, risk control and reporting.

The risk control function prepares guidelines for the Board of Directors of the central institution to decide on. It also supports, advises and educates the member credit institutions in the organisation and development of risk and capital adequacy management. The risk control function monitors the development of the risk exposures of the member credit institutions and gives feedback to the member credit institutions on them and the adequacy of the own funds in proportion to the risk exposures. The control function's duty is also to ensure that the risk measurement methods are appropriately and sufficiently accurate and reliable and to monitor that the risk management guidelines and risk strategies approved by the Board of Directors are followed.

The risk control function regularly reports a summary of the activities of the risk control function and the observations made by it and risk situation to the Board of Directors. Chief Risk Officer is responsible for the operation of the risk control function of the amalgamation's central institution. The risk control function ensures that the combined effect of the significant risks taken by all member credit institutions in their business operations on earnings and the own funds is reported to the Board of Directors in connection with the assessment of capital adequacy.

2.5 Compliance function

The Compliance function oversees that the amalgamation and member credit institutions comply with the legislation and regulations and internal procedures concerning their operations. It is also the Compliance function's duty to keep the senior and executive management of the central institution aware of significant changes taking place in key regulations and their effects and to prepare operating guidelines on the application of the regulations for the Board of Directors to approve. The Compliance function ensures that the amalgamation's capital adequacy management principles are aligned with applicable laws, decrees and operating guidelines. The Compliance function reports observations related to non-compliance with the regulations to the Board of Directors of the central institution.

2.6 Internal audit

Internal audit is an independent and objective assessment and securing activity. The purpose of the activity is to support the Supervisory Board, Board of Directors and executive management of the central institution in reaching the objectives by offering a systematic approach to the assessment and development of the organisation's control, management and governance processes and the effectiveness of risk management.

The internal audit unit of the amalgamation's central institution is responsible for the organisation of internal audit in the central institution and member credit institution, and it controls the organisation of internal audit in the other companies belonging to the amalgamation. The head of audit is responsible for the operation of the internal audit unit. Internal audit acts functionally under the Board of Directors and Audit Committee of the central institution and administratively under the Managing Director. The Supervisory Board of the central institution confirms the operating principles of internal audit.

Internal audit assesses the coverage and reliability of the amalgamation's capital adequacy management process and the sufficiency and effectiveness of the control procedures. Internal audit reports its key audit observations and the recommendations related to the capital adequacy management process it has issued to the Board of Directors of the central institution, Audit Committee of the Board of Directors and the Audit Committee of the Supervisory Board at least annually. Significant deviations with regard to the capital adequacy management observed in the audit are reported immediately to the Audit Committees of the central institution's Board of Directors and Supervisory Board.

2.7 Member credit institution

The amalgamation's member credit institutions, member cooperative banks and Bonum Bank Ltd, comply with the risk and capital adequacy management principles specified by the central institution.

Except for the central credit institution, the member credit institutions of the amalgamation are engaged in retail banking in line with their strategy. By operating only in this business area, the member credit institutions are able to keep the risks inherent in their operations at a manageable level, which is low considering the type of operations.

At POP Banks, the highest administrative organ is the cooperative meeting or representatives' meeting, which elects the members of the Supervisory Board. The Supervisory Board elects the members of the Board of Directors. At Bonum Bank Ltd, the Annual General Meeting elects the members of the Board of Directors. The Supervisory Board elects an Audit Committee from among its number, which assists the Supervisory Board in implementing its control obligation.
The Board of Directors of the member credit institution confirms, inter alia, internal guidelines concerning internal control and risk management, business objectives, risk limits concerning different risk categories and capital adequacy management plan. Furthermore, the Board of Directors is responsible for the adequacy of risk management and supervises the business operations, risk exposure and adequacy of risk-bearing capacity of the bank. In the capital adequacy management process, the member credit institution prepares, among other things, result, growth and capital adequacy estimates. Based on the forecasts, the member credit institution maps the necessary measures by means of which the capital adequacy objective in accordance with the business strategy can be achieved.

The executive management of the member credit institution is responsible for the implementation of internal control and risk management and reports regularly to the Board of Directors on the business operations, risk-bearing capacity and risk exposure of the member credit institution.

The central institution's independent risk control function and Compliance function guide the supervision of the amalgamation's risks. In addition to this, the largest member credit institutions have their own independent persons in charge of risk control and compliance function, who is responsible for the implementation of risk control and compliance at the member credit institution as instructed by the central institution. The other member credit institutions have a contact person responsible for the function.

Primary responsibility, control responsibility and assessment responsibility have been specified for the duties of risk management and distribution of responsibilities. The member credit institution responsible for business operations has the primary responsibility for the implementation of internal control and practical risk management measures, and it is

Organisation of risk management and internal control

I LINE OF DEFENCE

MEMBER CREDIT INSTITUTIONS

- **Day-to-day risk management**
- **Supervisor control**
- **The executive management and Board of Directors of the member credit institution have the primary responsibility for control**

II LINE OF DEFENCE

INDEPENDENT RISK CONTROL AND COMPLIANCE OF THE CENTRAL INSTITUTION

- **Control**
- **Instruction**
- **Support, processes, tools**

III LINE OF DEFENCE

CENTRAL INSTITUTION'S INTERNAL AUDIT

- **Independent assessment of control based on risk-based audit activity** also responsible for compliance with the risk management guidelines and procedures. The central institution's risk control function and compliance function supervise the implementation of risk management within the amalgamation.

Internal audit operating in connection with the central institution carries out independent assessment and securing activities to ensure the adequacy and effectiveness of the control procedures.

3. CAPITAL ADEQUACY MANAGEMENT

The amalgamation has a capital adequacy management process in use that aims to secure the sufficiency of the amalgamation's and its member credit institutions' risk-bearing capacity in relation to all the material risks involved in its operations. To achieve this objective, the member credit institutions conduct an extensive identification and evaluation of risks related to their operations and dimension their risk-bearing capacity to match the total amount of the risks. In order to secure their capital adequacy, the member credit institutions set risk-based capital objectives and prepare a capital plan to achieve these objectives. The capital adequacy management process also aims at maintaining and developing high-quality risk management.

The amalgamation's capital adequacy management process and liquidity coverage assessment process determines the risk-taking capacity and risk appetite of the amalgamation in proportion to the business objectives. The purpose of capital adequacy management and liquidity coverage assessment is to secure the risk-bearing capacity of the member credit institutions and amalgamation through sufficient capital and liquidity provisions.

In addition to the 8% capital adequacy requirement, a fixed 2.5% additional capital requirement became applicable on 1 January 2015, as well as a variable additional capital requirement which the authorities can set at 0–2.5%, if necessary. For the time being, the Financial Supervisory Authority has not set a variable additional capital requirement for domestic exposures, which almost exclusively comprise the credit and counterparty risk of the amalgamation's member credit institutions.

The amalgamation of POP Banks publishes material information from the point of view of capital adequacy calculation annually as part of its Board of Directors' report and the notes to the financial statements. The semi-annual interim reports also include the most relevant capital adequacy data.

3.1 Capital plan

Capital planning is part of the capital adequacy management process and business strategy process of the Board of Directors and executive management of POP Bank Alliance Coop, which ensures that the amalgamation's growth, profitability and risk-bearing capacity objectives are appropriate and consistent.

The purpose of capital planning is to ensure the securing of the capital adequacy of the amalgamation of POP Banks even in exceptional conditions by proactively determining the capital management methods available to the amalgamation of POP Banks and the principles of their implementation and, if necessary, implement them in accordance with pre-agreed principles. The capital plan is updated at least annually. The capital plan covers the current year and at least the two following years.

It is also the task of capital planning to define the appropriate capital structure from the point of view of the effective use of capital of the amalgamation. This is influenced, among other things, by constraints due to regulations on which capital items are considered eligible capital or for which risks the capital items in question can be used.

Every member credit institution and entity belonging to the amalgamation of POP Banks is primarily liable for its own capital adequacy and sets target levels and reaction limits for its capital adequacy in accordance with the guidelines issued by the central institution of the amalgamation. Secondarily, the central institution of the amalgamation of POP Banks is responsible for the capital adequacy in accordance with the valid legislation and regulations.

3.2 Assessment of capital provisions

The amalgamation uses scenario analyses and stress tests for the assessment of capital provisions. Stress tests are used to assess how different exceptionally serious, yet possible situations can affect the solvency, profitability or capital adequacy of the amalgamation or its member credit institution. The stress factors are used to assess the effect of both individual risk factors and effects of simultaneous changes of several variables.

Sensitivity analyses are used as part of risk category-specific analysis. Sensitivity analyses help to understand the effect of the assumptions used on the values of risk indicators.

Scenario analyses are used as part of the assessment of total risk position. Scenario analyses involve creating risk scenarios with which capital adequacy is assessed in different changes in the operating environment when several risk areas burden the need for capital at the same time.

3.3 Pillar I capital adequacy ratio

The most significant Pillar I capital requirements of the amalgamation of POP Banks are composed of receivables secured by mortgages of immovable properties and retail receivables. The amalgamation applies the standardised approach for the calculation of the capital requirement to the credit risk and the basic indicator approach for calculating the capital requirement to the operational risk. The member credit institutions of the amalgamation do not engage in trading activities, so the capital requirement to market risk is only calculated for the foreign exchange risk. In the standardised approach for credit risk, the exposure is divided into exposure classes, and the minimum limits for the diversification of lending are specified in the retail exposure class.

The own funds of the amalgamation of POP Banks is comprised of cooperative contributions, supplementary cooperative contributions, POP Shares, retained earnings and reserves less the deductions pursuant to the EU's Capital Requirements Regulation No. 575/2013. The amalgamation of POP Banks does not include the profit for the financial year in the own funds.

The EU's Capital Requirements Regulation does not acknowledge the supplementary cooperative contributions previously used by the member credit institution as an equity instrument. According to the new regulations, supplementary cooperative contributions are no longer items of the own funds of the member credit institutions. The Capital Requirements Regulation is applied as of 1 January 2014, but the application of the transitional regulations concerning supplementary cooperative contributions will change gradually. Some of the member credit institutions of the amalgamation began to issue a new equity instrument included in the own funds, POP Shares. A total of EUR 17,904 thousand of POP Shares were issued in 2015.

Main items of capital adequacy calculation

(EUR 1,000)	2015	2014
Own funds		
Common Equity Tier 1 capital before deductions	461,632	438,966
Deductions from Common Equity Tier 1 capital	-6,089	-4,686
Total Common Equity Tier 1 capital (CET1)	**455,542**	**434,281**
Additional Tier 1 capital before deductions	10,545	8,068
Deductions from Additional Tier 1 capital	0	0
Additional Tier 1 capital (AT1)	10,545	8,068
Tier 1 capital (T1 = CET1 + AT1)	**466,087**	**442,349**
Tier 2 capital before deductions	3,164	4,199
Deductions from Tier 2 capital	0	0
Total Tier 2 capital (T2)	**3,164**	**4,199**
Total capital (TC = T1 + T2)	**469,251**	**446,548**
Total capital requirement	**180,228**	**181,547**
of which credit risk	163,067	164,085
of which credit valuation adjustment risk (CVA)	288	487
of which market risk (exchange rate risk)	1,991	2,333
of which operational risk	14,882	14,642
Fixed additional capital buffer according to the Act on Credit Institutions (2.5%)	**56,321**	**56,734**
Common Equity Tier 1 capital (CET1) in relation to risk-weighted assets (%)	20.2%	19.1%
Tier 1 capital (T1) in relation to risk-weighted assets (%)	20.7%	19.5%
Total Capital (TC) in relation to risk-weighted assets (%)	20.8%	19.7%
Leverage ratio		
Tier 1 capital (T1)	466,087	442,349
Total exposures	4,283,948	4,009,672
Leverage ratio, %	10.9%	11.0%

Information pursuant to the EU's Capital Requirements Regulation about the capital adequacy of the amalgamation of POP Banks is presented in the Pillar III notes.

4. BANKING RISKS

4.1 Credit risk

The most significant risk of the amalgamation is the credit and counterparty risk, the Pillar I capital requirements of which account for approximately 90.5% of all Pillar I capital requirements. Credit risk refers to a situation in which a counterparty cannot fulfil its contractual obligations. The most significant source of credit risk is loans, but credit risk can also arise from other kinds of receivables, such as bonds, short-term debt securities and off-balance-sheet commitments, such as unused credit facilities and overdraft limits and guarantees. The amalgamation of POP Banks is exposed to credit risk of a total of EUR 3,232,137 thousand through loans recognised on the balance sheet and Aktia Real Estate Mortgage Bank Plc intermediated by POP Banks.

4.1.1 Management of credit risk

Credit risk management aims at limiting the effects of credit risks resulting from lending activities on profit and balance sheet to an acceptable level.

The Board of Directors of the central institution controls the credit risk management of the member credit institutions, the methods used in it and the control and reporting of credit risk. The Board of Directors of the central institution prepares the credit risk strategy specifying the target risk level and the principles concerning guidelines on risk-taking, customer selection and collateral. The credit risk strategy is supplemented by credit risk management guidelines issued by the Board of Directors of the central institution, which lay the foundation for the management of credit risk by the member credit institutions. The central institution's risk control function is responsible for the preparation and maintenance of the credit risk strategy. The credit risk strategy is updated at least annually or whenever there are essential changes in the operating environment or business model of the amalgamation, legislation or requirements of the authorities.

The Boards of Directors of the member credit institutions confirm their credit risk strategies in accordance with the credit risk strategy of the central institution's Board of Directors.

The business strategy and credit risk management guidelines specify the maximum limits for risk concentrations and act as guidelines for the targeting of lending by customer sector, industry and credit rating class.

Credit decisions are based on the customer's credit rating and ability to pay and the fulfilment of the other criteria for granting a loan, such as requirements for collateral. The main principle is decision making by two persons having lending authorisation. The credit decisions are made within the decision-making authorisations confirmed by the Board of Directors of each member credit institution. Member credit institutions primarily grant loans and guarantees in their own operating areas. This ensures local and sufficiently thorough knowledge of the customer.

To ensure the repayment of exposures, exposures should primarily be secured by collateral. Collateral is measured prudently at fair value, and the development of values is monitored regularly utilising both statistics and good knowledge of the operating area. The collateral valuation and assessment used in measuring collateral will be harmonised by the amalgamation.

The control of credit risk is based on the continuous monitoring of non-performing receivables and past-due payments and the quality of the loan portfolio. Problems that can be foreseen are addressed as early as possible.

Customer exposures and non-performing receivables are regularly reported to the Boards of Directors of the member credit institutions. The reports include, amongst other things, the amount and development of credit risk by customer group, business sector and creditworthiness category. The risk control function reports to the Board of Directors of the central institution on the development of credit risks, risk position and non-performing receivables on a quarterly basis.

Total exposures by exposure class by hedging collateral

Credit and counterparty risk

Exposure class (EUR 1,000)	Total exposures	Financial guarantees	Real guarantees	Guarantees	2015 Other
Exposures to corporates	675,888	5,132	-	26,336	231
Retail exposures	686,742	8,962	-	92,702	1,023
Exposures secured by mortgages on immovable property	1,994,040	-	1,991,922	-	-
Exposures in default	34,298	113	17,892	489	77
Other exposure classes total	**909,619**	**-**	**-**	**-**	**-**
Total	**4,300,587**	**14,207**	**2,009,814**	**119,527**	**1,330**

Exposure class (EUR 1,000)	Total exposures	Financial guarantees	Real guarantees	Guarantees	2014 Other
Exposures to corporates	633,488	5,457	-	27,271	-
Retail exposures	570,273	9,418	-	86,244	20
Exposures secured by mortgages on immovable property	1,928,497	-	1,924,493	-	-
Exposures in default	39,906	150	20,801	712	-
Other exposure classes total	**851,368**	**-**	**-**	**-**	**-**
Total	**4,023,533**	**15,025**	**1,945,294**	**114,226**	**20**

4.1.2 Breakdown of loans by customer groups

The amalgamation's key customer groups are private customers, agriculture entrepreneurs and small companies. A majority of the amalgamation's funding has been granted as loans to the customers of the member credit institutions. The The amalgamation's loan portfolio totalled EUR 3,029,032 thousand (2,926,485) at the end of 2015. In addition, POP Banks have mediated EUR 203,105 thousand (271,717) of Aktia Real Estate Mortgage Bank's mortgage loans, primarily to private customers.

Lending to private customers is mainly granted against residential real estate collateral. If necessary, other collateral is also used. A majority, 63.0% (62.8), of the amalgamation's loans has been granted against residential collateral. The lending to the private customers is operated via the balance sheets of POP Banks and loans related to Visa cards via the balance sheet of the central credit institution.

Lending to private customers is primarily based on the customer's sufficient debt servicing ability. The assessment of the credit rating of a private customer is based on POP Bank's good customer knowledge, the customer's occupation and income data, ability to pay and surplus calculation and statistical behaviour or application scoring model. Customers with credit exposures are classified with the behaviour scoring model based on payment behaviour. Customers with no exposures who are applying for a loan are classified with application scoring. The purpose of the classification is to classify customers based on risk.

The primary target groups of the member credit institutions' corporate lending are micro companies and small companies, self-employed persons and agriculture and forestry customers operating in the operating area of the member credit institution. In lending to corporate customers, the basis for granting a loan are the customer's financial position, debt servicing capacity, analysis of financial statements, coverage of the collateral offered and the customer's credit rating.

4.1.3. Concentration risk

Credit risk concentrations arise when the counterparties are financially dependent on each other and operate in a similar operating environment, in which case individual events can have effects on a significant number of counterparties at the same time. Similar concentration risk may also arise when similar collateral is held for credit facilities. Concentration risk may also arise if lending is not diversified into maturities of different lengths with regard to reference interest rate and credit amounts.

The total amount of credit granted by the amalgamation or an individual member credit institution to a single customer and/or customer entity must not exceed the maximum amounts confirmed in the EU's Capital Requirements Regulation, other statutory orders or the regulations and guidelines provided by the Finnish Financial Supervisory Authority or other supervisory authorities. A euro-denominated limit has been specified at the amalgamation level with customer groups exceeding the limit within the amalgamation requiring the central institution's permit for granting additional credit.

The amalgamation does not have customer groups exceeding the large exposures limit of 10% of the capital of the amalgamation in accordance with Article 392 of the EU Capital Requirements Regulation.

Breakdown of loans by customer groups

Customer group (EUR 1,000)	31 Dec. 2015	31 Dec. 2014	Change, %
Private customers	1,941,187	1,850,161	4.9%
Agricultural customers	578,943	577,278	0.3%
Corporate customers	508,902	512,441	-0.7%
Total	**3,029,032**	**2,939,880**	**3.0%**

Corporate lending by industry 31 Dec. 2015

(EUR 1,000)	Balance sheet value	%
Real estate	120,355	23.6%
Construction	81,683	16.1%
Industry	70,050	13.8%
Wholesale and retail trade	64,207	12.6%
Transport and storage	40,739	8.0%
Other industries	131,868	25.9%
Total	508,902	100.0%

Corporate lending by industry 31 Dec. 2014

(EUR 1,000)	Balance sheet value	%
Real estate	123,873	24.2%
Construction	83,245	16.2%
Industry	71,674	14.0%
Wholesale and retail trade	68,070	13.3%
Transport and storage	42,357	8.3%
Other industries	123,222	24.0%
Total	512,441	100.0%

4.1.4 Overdue receivables

Overdue receivables refer to credit that has not been repaid in accordance with the amortisation schedule but the repayments of principal or interest are delayed from the dates agreed upon in the amortisation schedule. The member credit institutions' receivables more than 90 days overdue accounted for a total of 0.76% (0.96) of the loan portfolio on 31 December 2015. The member credit institution's receivables 30–90 days overdue accounted for 1.53% (1.86) of the loan portfolio at the end of 2015.

Overdue receivables 31 Dec. 2015

(EUR 1,000)		Share of loan portfolio (%)
Overdue receivables (30–90 days)	46,204	1.53%
Overdue receivables over 90 days	23,078	0.76%
Overdue receivables (90–180 days)	6,063	0.20%
Overdue receivables 180 days–1 year	6,017	0.20%
Overdue receivables > 1 year	11,057	0.37%

Overdue receivables 31 Dec. 2014

(EUR 1,000)		Share of loan portfolio (%)
Overdue receivables (30–90 days)	54,602	1.86%
Overdue receivables (over 90 days)	28,199	0.96%
Overdue receivables 90—180 days	10,570	0.36%
Overdue receivables 180 days–1 year	7,091	0.24%
Overdue receivables > 1 year	10,537	0.36%

4.1.5 Impairment losses on loans and other receivables

Impairment losses on loans and receivables are assessed on an individual basis if the debtor's total exposure is significant. In other respects, impairment on receivables is assessed on a collective basis for groups of similar receivables.

Individual impairment losses are assessed based on objective evidence, which is based on an assessment of, for example, the customer's insolvency and the adequacy of the collateral. When objective evidence has emerged that the principal or interest of the loan will not be received in full and the corresponding collateral is not sufficient to cover the amount, the amount of the impairment loss is determined as the difference of the carrying amount of the receivable and the present value of the estimated recoverable cash flows, taking into account the fair value of the collateral. When recognising the impairment loss, the collateral is measured at the amount it is likely to yield on realisation after realisation costs. If it is subsequently found that the amount of the impairment loss is lower than estimated, the impairment loss is reversed correspondingly.

Collective impairment losses are recognised so that the groups of receivables are formed based on similar credit risk properties to be able to assess the need for impairment on a collective basis on receivables for which a basis of impairment concerning the individual receivable has not yet been identified. Impairment losses that have materialised according to the assessment but cannot be allocated to an individual receivable are recognised collectively. When determining collective impairment loss, the previous loss development of groups with similar credit risk characteristics is taken into account. The recognition principles of impairment losses are described in more detail in Note 2 Accounting policies.

Loans and other receivables are derecognised as realised credit losses when the ordinary debt collection process has been completed with regard to the debtor and any others liable for the debt and it is estimated that no more payments will be incurred and the final amount of the loss from the loan or receivable is known. The POP Bank Group's member credit institutions' realised credit losses totalled EUR 4,314 thousand (2,064) in 2015.

At the end of 2015, combined impairment losses related to loans and other receivables totalled EUR 16,933 thousand (16,286). Of these, individually assessed impairment losses totalled EUR 14 150 thousand (13,860) and collectively assessed impairment losses totalled EUR 2 783 thousand (2,426). Of the collective impairment losses, EUR 1,103 thousand (739) concerned the liabilities of private customers and EUR 1,391 thousand (1,514) corporate customers and EUR 289 thousand (173) an agriculture customers' liabilities. Impairment losses on loans and other receivables were 0.56% (0.55) at the end of the financial year

Impaired exposures by customer group 31 Dec. 2015

(EUR 1,000)	Balance sheet value	No impairment (gross)	Impaired (gross)	Individual impairment	Collective impairment
Private customers	1,941,187	1,939,356	7,317	4,383	1,103
Agricultural customers	578,943	577,339	3,219	1,325	289
Corporate customers and others	508,902	502,691	16,044	8,442	1,391
Receivables from customers total	**3,029,032**	**3,019,383**	**26,580**	**14,150**	**2,783**

Impaired exposures by customer group 31 Dec. 2014

(EUR 1,000)	Balance sheet value	No impairment (gross)	Impaired (gross)	Individual impairment	Collective impairment
Private customers	1,850,161	1,848,417	7,079	4,596	739
Agricultural customers	577,278	575,576	2,752	878	173
Corporate customers and others	512,441	506,368	15,974	8,386	1,514
Total receivables from customers	**2,939,880**	**2,930,360**	**25,805**	**13,860**	**2,426**

Impairment losses on loans and other receivables

(EUR 1,000)	Individually assessed	Collectively assessed	Total
Impairment losses 1 January 2015	13,860	2,426	16,286
+ Increases in impairment losses	5,768		5,768
- Reversals of impairment losses	-827		-827
+/- Change in collectively assessed impairment losses		357	357
- Reversals of impairment losses from final credit losses	-4,652		-4,652
Impairment losses 31 Dec. 2015	**14,150**	**2,783**	**16,933**

Impairment losses on loans and other receivables

(EUR 1,000)	Individually assessed	Collectively assessed	Total
Impairment losses 1 January 2014	11,542	2,477	14,019
+ Increases in impairment losses	5,608		5,608
- Reversals of impairment losses	-856		-856
+/- Change in collectively assessed impairment losses		-51	-51
- Reversals of impairment losses from final credit losses	-2,434		-2,434
Impairment losses 31 Dec. 2014	**13,860**	**2,426**	**16,286**

4.2 Market risk

Market risk refers to the possibility of losses caused by changes in interest rates and market prices. The market risk types are interest rate, currency, equity and commodity risk. Interest rate risk in the banking book is the most significant market risk in the amalgamation's banking business. 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. In trading book, a change in interest rates results in market risk through a change in the market prices of the securities. Equity risk refers to effects on earnings due to changes in the market prices of, for example, public equities and fund units.

4.2.1. Management of market risk

The objective of market risk management is to identify and assess market risks related to the business operations, mitigate the risks to an acceptable level and report regularly on them. The central institution's Board of Directors confirms the market risk strategy and market risk management guidelines, which create the foundation for market risk management at the member credit institutions.

The Boards of Directors of the member credit institutions confirm their market risk strategy and market risk management guidelines in accordance with the market risk strategy of the central institution. Together with the market risk management guideline, the strategy specifies the member credit institution's risk appetite with regard to market risk and the maximum amounts of risk concentrations.

The capital adequacy management process is a central process for the measurement and monitoring of the market risk included in the banking book, involving the establishment of Pillar I and Pillar II capital provisions for market risk. Because the amalgamation does not engage in trading activities, Pillar I capital provision is only held for currency risk.

The taking of market risk has been limited within the amalgamation with regard to trading, derivative contracts, currency risk and structured products. The member credit institutions of the amalgamation do not engage in trading for own or customers' account, and the member credit institutions do not, as a rule, have a separate trading book. However, due to a specific need and with the permission of the central institution, an individual member credit institution can have a "small trading book" referred to in article 94 of the EU's Capital Requirements Regulation.

As part of market risk management, the use of derivatives is limited to hedging purposes only. Currency risk is not taken at all in lending; loans are granted in euros. A member credit institution may make investments in structured products only if allowed by the central institution's risk control function.

4.2.2. Interest rate risk in the banking book

Interest rate risk in the banking book refers to the negative effect of changes in interest rates on the market value or net interest income of the amalgamation's balance sheet items and off-balance sheet items. Interest rate risk arises from differences in the interest terms of receivables and liabilities and differences in interest rate adjustment and maturity dates.

Interest rate risk is monitored using the present value method and the income risk model. The present value method measures how changes in interest rates change the calculated market value of financial assets. In the present value method, the market value of each balance sheet item is expected to be formed as the present value of the cash flows generated by the instrument in question. The income risk model predicts the future net interest income as market interest rates change.

The amalgamation uses balance sheet analysis for measuring interest rate risk, measuring the effect of changes in forward interest rates on the net interest income forecast for the following 1–36 months and with the present value method by measuring the effect of changes in interest rates on the present value of the balance sheet. The net interest income forecast is calculated at the reporting date using forward interest rates available in the market for the following three years. The amount of interest rate risk taken is assessed with the effect of diverse interest rate shocks on the net interest income and present value.

Interest rate risk is managed by planning the balance sheet structure, such as the interest rate fixing or maturity of assets and liabilities or by using hedging interest rate derivatives. The risk-taking of the amalgamation's member credit institution is limited with regard to interest rate risk with interest rate risk limits set by the Board of Directors. The objective of interest rate management is to stabilise the interest rate risk involved in the amalgamation's balance sheet to a level at which business is profitable but the result or capital adequacy is not compromised even in the event of strong changes in the interest rate environment.

4.2.3. Investment and liquidity portfolio

The primary purpose of the investment activities of the member credit institutions is to invest liquidity surplus. Market risk emerges in these investment activities. The market risk in the investment and liquidity portfolio consists of the counterparty risk of the investment and the general market price, interest rate and currency risks. Changes in share prices, interest rates and exchange rates affect the value and, therefore, yield of the investment portfolio.

The member credit institutions' objective in investing in securities is to obtain competitive return on investment in terms of yield/risk ratio. The member credit institutions invest in securities only so that the effect of share price changes on profit will not threaten the capital adequacy or profitability of the member credit institution or the entire amalgamation.

The diversification of investments decreases the concentration risk arising from individual investments. The risks of the investment and liquidity portfolio are managed by diversifying investments in terms of timing, asset category, counterparty, sector and geography. The Boards of Directors of the amalgamation's member credit institutions specify risk limits for the composition of the investment and liquidity portfolio with regard to asset category, counterparty, sector or maturity. The amalgamation does not have investment counterparties in which the amount of investments and other receivables would

Investment and liquidity portfolio

(EUR 1,000)	2015	2014
Available-for-sale financial assets		
Debt securities	311,983	123,158
Fund units	241,235	170,573
Money market funds	186,201	127,005
Other	55,034	43,568
Public equity	16,546	20,370
Financial assets at fair value through profit or loss		
Hybrid instruments	3,383	3,464
Investment and liquidity portfolio total	**573,147**	**317,564**

Net interest income sensitivity of the banking book 31 Dec. 2015

(EUR 1,000)	Risk parameter	Change	Effect on earnings	Effect on equity capital
Interest rate risk	Interest rate	+1% point	6,378	-9,769
Interest rate risk	Interest rate	-1% point	-2,660	5,564

The profit and loss effect of the interest rate risk is based on 12 month change in net interest income. The effect on equity capital has been determined through present value change in balance sheet.

Net interest income sensitivity of the banking book 31 Dec. 2014

(EUR 1,000)	Risk parameter	Change	Effect on earnings	Effect on equity capital
Interest rate risk	Interest rate	+1% point	9,412	-7,518
Interest rate risk	Interest rate	-1% point	-4,133	3,727

The profit and loss effect of the interest rate risk is based on 12 month change in net interest income. The effect on equity capital has been determined through the present value change in the balance sheet.

exceed the large exposures limit of 10% of the capital of the amalgamation in accordance with the EU's Capital Requirements Regulation.

Investment risk is monitored through sensitivity analysis. The credit risk of investment operations is managed by issuer and counterparty limits. The development of the position of the investment portfolio and biggest counterparties at the amalgamation level are regularly reported to the Board of Directors of the central institution. The risk of the investment portfolio is assessed in relation to the earnings and own funds of the amalgamation.

In addition to the investment portfolio, POP Banks have EUR 69,725 thousand (68,234) of available-for-sale shares and participations measured at fair value, which are primarily POP Banks' equity investments in shares of companies that are necessary for its operation and for which a reliable fair value cannot be determined. The most significant unquoted investments are shares and participations in POP Holding Ltd, POP Bank Alliance Coop, Aktia Real Estate Mortgage Bank and Samlink Ltd.

Currency risk refers to the effect of changes in foreign exchange rates on earnings or own funds. The operations of the amalgamation do not involve significant currency risks. Currency risk may arise to a small extent mainly from mutual fund holdings in the investment portfolio and covering transactions related to the central credit institution's international payments.

4.3 Liquidity risk

Liquidity risk refers to the capability of the amalgamation and its individual member credit institution to meet their commitments. Liquidity risk can be divided into short-term liquidity risk and long-term structural financing risk. Short-term liquidity risk refers to a situation in which an entity cannot without difficulty fulfil its liabilities. Structural financing risk, on the other hand, refers to a funding risk that arises from the difference in the maturities of long-term lendings and short-term borrowings.

The amalgamation's central credit institution Bonum Bank Ltd supervises the intraday liquidity coverage by monitoring the balances of the payment accounts of the member credit institutions. The key ratio for measuring liquidity risk is the liquidity coverage ratio (LCR), specified in the EU's Capital Requirements Regulation. Credit institutions must meet the minimum LCR level of 60% as of 1 October 2015. As of the beginning of 2016, the requirement is 70%, from which the minimum requirement for the LCR will gradually increase to 100 per cent by 1 January 2018.

The lending-borrowing ratio and analysis by maturity class, which assesses the difference between the cash flows of the receivables and liabilities of each maturity class, are used for measuring financing risk. The purpose of the requirement for stable funding is to emphasise the availability of long-term financing to banks. The net stable funding ratio indicator NSFR will be adopted in 2018, at which time the NSFR indicator must be over 100%.

The Board of Directors of the amalgamation's central institution specifies the required LCR level for the member credit institutions and at the amalgamation level. The member credit institutions continuously monitor their liquidity and LCR indicator. The central institution monitors the LCR indicator at the amalgamation and member credit institution level.

The amalgamation's LCR-eligible assets totalled EUR 434,259 thousand on 31 December 2015, of which 39.8% were cash and balance at a central bank, 88.5% high quality liquid assets, 6.8% liquid level 2A assets and 4.7% level 2B liquid assets. The amalgamation's LCR indicator was 202% on 31 December 2015.

4.3.1. Management of liquidity risk

The liquidity needs of the member credit institutions communicated to the Board of Directors of the central institution and the executive management of the central credit institution Bonum Bank Ltd are the starting point of the amalgamation's liquidity management.

The executive management of the central institution prepares the amalgamation's strategy and principles of liquidity management together with the Board of Directors of the central credit institution, which are determined based on the member credit institutions' liquidity needs and amalgamation-level risk appetite. The central institution's Board of Directors approves the liquidity strategy and the principles of liquidity management. In addition, the Board of Directors approves the quality targets for the liquidity buffer, the funding plan and the liquidity contingency plan. The risk control function plans, develops and tests methods used in liquidity risk management. The central credit institution and its executive management assist the risk control function in this process. The central institution's executive management approves the liquidity strategy and the methods used in implementing the principles of liquidity management.

The executive management of the central credit institution is responsible for coordinating the implementation of the liquidity strategy at the amalgamation level, and it monitors and supervises the liquidity strategy implemented by the member credit institutions. The task of the amalgamation's independent risk control function is to supervise and monitor the liquidity risk. The member credit institutions are responsible for implementing the liquidity strategy.

The central credit institution reports on the liquidity situation to the Board of Directors of the central institution and the executive management of the central credit institution. The Board of Directors of the central credit institution is responsible for monitoring the implementation of the liquidity strategy at the central credit institution and plan the liquidity coverage of the central credit institution in accordance with the amalgamation's liquidity strategy. The Board of Directors of the central institution takes the required measures based on the reporting it receives.

4.3.2. Structural financing risk

The financing risk arising through the maturity transformation of lending and borrowing is an essential part of the amalgamation's business operations. The business operations are based on deposits received by the member credit institutions from their customers, which are used to finance the member credit institutions' lending to customers.

Financing risk is a risk related to the availability and price of refinancing which arises when the maturities of receivables and liabilities differ from each other. A financing risk also arises if receivables and liabilities are concentrated on individual counterparties to too high a degree. The financing risk is evaluated by maturity class based on the difference of receivables and payables within each class.

Financing risk is managed by timing the cash flows of the balance sheet assets and liabilities to be equal by time category and by maintaining a sufficient liquidity reserve to cover time category-specific differences.

Maturity of financial liabilities 31 Dec. 2015

(EUR 1,000)	less than 3 months	3–12 months	1–5 years	> 5 years	Total
Deposits	2,694,098	458,767	183,337	-	3,336,202
Debt securities issued	381	24,076	-	-	24,457
Subordinated liabilities	-	-	-	-	-
Other liabilities to credit institutions	115,807	-	-	-	115,807
Total	**2,810,286**	**482,842**	**183,337**	**-**	**3,476,465**

The table presents the cash flows of the principals and interests of financial liabilities by maturity. All derivative contracts are interest rate swaps, and the net cash flow from the contracts is expected to be positive throughout the residual maturity.

Maturity of financial liabilities 31 Dec. 2014

(EUR 1,000)	less than 3 months	3–12 months	1–5 years	> 5 years	Total
Deposits	2,594,470	498,334	149,245	-	3,242,050
Debt securities issued	286	1,166	23,695	-	25,147
Subordinated liabilities	682	1,542	-	-	2,223
Other liabilities to credit institutions	4,938	-	-	-	4,938
Total	**2,600,375**	**501,042**	**172,940**	**-**	**3,274,358**

The table presents the cash flows of the principals and interests of financial liabilities by maturity. All derivative contracts are interest rate swaps, and the net cash flow from the contracts is expected to be positive throughout the residual maturity.

The amalgamation's financing is diversified into several small counterparties as the amalgamation obtains the refinancing it needs primarily as deposits from the public. The financing structure will be diversified in the future as allowed by the start of the operations of the amalgamation.

4.4 Real estate risk

Real estate risk refers to impairment, income or loss risk related to real estate property. Real estate investments are not included in the core business of the amalgamation's banking operations. The properties owned by the amalgamation of POP Banks are divided into owner-occupied properties and the investment properties.

Owner-occupied properties are recognised under property, plant and equipment and investment properties under investment assets on the balance sheet. Both properties in use by member credit institutions of the amalgamation and investment properties are measured at acquisition cost less depreciation and impairment in the financial statements. The value of real estate assets is moderate compared to the balance sheet and own funds of the amalgamation. The balance sheet value of investment properties accounted for 1.0% (0.9) of the balance sheet.

4.5 Operational risks

Operational risks refer to the risk of financial loss or other negative effects caused by insufficient or failed internal processes, lacking or incorrect operating methods, personnel, systems or external factors. All business processes, including credit and investment processes, involve operational risks. The amalgamation also has operational risk through outsourced IT functions and financial administration function.

The Board of Directors of the central institution approves the principles of operational risk management and the key guidelines concerning operational risk. The target level for risks is limited. Certain operational risks are covered with insurance coverage. Risks caused by malfunctions of information systems are prepared for by continuity planning.

The identification and assessment of risks and assessment of the functionality and adequacy of control and management methods are key aspects in operational risk management. The member credit institutions included in the amalgamation assess the likelihood of the realisation of operational risks and their effects in operational risk self-assessments, which have been prepared based on the most significant business processes.

The member credit institutions report on the operational risks, interruptions and losses concerning their operations annually to the central institution's risk control function. Furthermore, the member credit institution report the results of their self-assessments of operational risks to the risk control function. The risk control function regularly assesses the nature of the operational risks it has observed and the likelihood of the realisation of the risks in the entire amalgamation.

The operational risks associated with the key products, services, functions, processes and systems are identified in the assessment process concerning a new product or service carried out by the business function and reviewed by the risk control function.

The risk control function annually reports the losses incurred due to the realisation of operational risks and a summary of the self-assessments of operational risks to the Board of Directors of the amalgamation's central institution and the executive management of the central institution.

4.6 Strategic risk

Strategic risk arises from choosing a wrong strategy, unsuccessful implementation of strategy, changes in the competitive environment or responding too slowly to changes.

The aim is to minimise strategic risks by means of regular updates of strategic and annual plans. Analyses of the condition and development of the POP Bank Group, as well as other analyses and estimates concerning the development of the sector, competition and financial operating environment are utilised in the planning.

5. INSURANCE RISKS

5.1 General principles of risk management

Finnish P&C Insurance Ltd carries out insurance operations within the POP Bank Group. At Finnish P&C Insurance Ltd, risk management refers to a process that aims to identify possible risks, assess and limit the likelihood and effects of the identified risks, enable reacting to changes in the market situation and generally to ensure the reliability, safety and efficiency of operations.

The company's Board of Directors is responsible for the organisation of risk management. The Board of Directors annually approves a risk management plan that contains the main outlines on the company's risk management and a description of the company's risk profile. The Own Risk and Solvency Assessment (ORSA) is an essential part of risk management, and the company uses it to maintain a view of its capital needs in the long and medium term. When organising risk management, particular attention is paid to the company's strategic choices, objectives of insurance and investment activities and capital adequacy.

The appropriate organisation of risk management is supported e.g. by internal control as a whole, investment plan, continuity plan related to data security, the company's internal monitoring and reporting mechanisms and internal audit.

5.2 Organisation, responsibility and supervision of risk management

The responsibilities related to the implementation of risk management and the distribution of work are documented in the risk management plan. The Managing Director of Finnish P&C Insurance Ltd is responsible for the performance of all risk management and internal audit measures. The Board of Directors supervises the operational implementation of the measures.

5.3 Risk management processes and risks

Finnish P&C Insurance Ltd's risk management is a continuous activity and it covers all of the company's operations. Risk management is embedded in the planning and conduct of the company's business through internal guidelines and operating models, among other things. These include customer and risk selection guidelines, reporting practices and approval limits and procedures.

The regular risk survey process is a process that supports comprehensive risk management and is tied to the company's annual operations; in it, the risks are identified and assessed, decisions are made on the methods of preparing for the risk, and a person is appointed responsible for the risk. Risks and preparations for them are monitored and assessed as part of the regular risk management process.

The company maintains solvency capital that is sufficient in terms of quantity and quality in case of financial losses caused by risks. Solvency is monitored continuously in the short and long term. In connection with annual planning, a comprehensive view of the company's long and medium-term capital requirements based on the company's action plans, risk profile and solvency requirements in the Own Risk and Solvency Assessment (ORSA). The report on the assessment is approved by the Board of Directors of the Company.

5.4 Risk management reporting

Risks are reported to the Board of Directors in accordance with the practices recorded in the risk management plan. An extensive survey of risks is reviewed annually by a meeting of the Board of Directors in connection with the review of the risk management plan. The Board of Directors approves the company's Own Risk and Solvency Assessment (ORSA).

The Board of Directors regularly receives reports on the company's finances, business operations, solvency and investment activities.

5.5 Insurance risks

5.5.1. Specification of risks and risk management strategy

The policyholder transfers the insured risk to the insurer with the insurance contract. The claims incurred of Finnish P&C Insurance Ltd is composed of the number and extent of losses indemnified from the insured risks and their random variation. The claims incurred are further divided into losses arising from property risk and personnel risk.

The most significant insurance risks are associated with the pricing of insurance policies, subscription of insurance policies (customer and risk selection) and sufficiency of the technical provisions.

In particular, the pricing risk of insurance policies is linked to the accurate basic pricing of motor vehicle insurance. The risk is prepared for by monitoring the profitability of operations, risk-based pricing and by enabling a technically and process-wise flexible pricing system.

The functioning of customer and risk selection is continuously monitored and changes are made to the guidelines as necessary. The risk level is kept moderate, and customer selection is also guided with targeted pricing changes.

The sufficiency risk of technical provisions is particularly associated with the development of the loss ratio of motor vehicle insurance and personal injuries with significant costs indemnified based on traffic insurance. The bases of determination of the technical provisions is specified in the technical provision calculation bases. The technical provision calculation bases have been determined in a securing way. The calculation bases are assessed annually and amended, if necessary. In addition, the effect of individual losses has been restricted through Excess-of-Loss reinsurance contracts covering the company's entire product portfolio.

5.5.2. Risk management processes

The claim situation, claims incurred and major losses are monitored at the weekly level and claim proportions at the monthly level. The development of the customer base and acquisition of new customers are monitored at the monthly level. Technical provisions, solvency capital and its minimum limits are monitored at the monthly level. Technical provision and capital adequacy calculations are made by the actuary function. Risks are reported to the company's Executive Board and the Board of Directors and, as agreed, to the Finnish Financial Supervisory Authority.

5.5.3. Actuarial assumptions

The bases of calculation used by Finnish P&C Insurance Ltd with justifications are submitted to the Financial Supervisory Authority by the end of the financial year.

The portion of premiums written for the post-balance sheet date is recorded as provision for unearned premiums. The amount of the provision for unearned premiums is calculated at the monthly level from previous premiums written using straight-line depreciation. Corresponding recognition and reservation practices are also used for reinsurance premiums.

Claims unsettled on the balance sheet date for losses already occurred and their settlement expenses – including claims incurred but not yet reported – are reserved in the provision for unpaid claims. Provisions for unpaid claims consist of both claims reserved for individual cases and a collective reservation proportioned to previous Insurance premium revenue.

At the end of the financial year, the company had no confirmed annuity losses.

5.5.4 Quantitative information about insurance risks

Technical provisions totalled EUR 21,889 thousand (17,028), with the equalisation provisions amounting to EUR 0.

5.6 Investment risks

5.6.1. Specification of risks and risk management strategy

The purpose of the investment activities of Finnish P&C Insurance Ltd is primarily to secure its investment assets and avoid unnecessary risks.

Market risk associated with investment assets refers to loss risk or unfavourable change in the economic situation, which is directly or indirectly due to the fluctuation of the market prices of the financial instrument. Market risks include share risk, real estate value change risk and currency risk. Credit loss risk refers to the counterparty risk of investment assets and liquid assets and the resulting fluctuation of value.

Premiums written for the financial year, claims incurred and technical provisions 31 Dec. 2015

(EUR 1,000)	Gross	Ceded to reinsurers	Retained
Insurance premium revenue	29,480.0	1,386.1	28,093.9
Claims incurred	22,820.9	-50	22,870.9
Provision for unearned premiums	11,960.0	-	11,960
Provisions for unpaid claims	9,929.1	-	9,929.1

Premiums written for the financial year, claims incurred and technical provisions 31 Dec. 2014

(EUR 1,000)	Gross	Ceded to reinsurers	Retained
Insurance premium revenue	24,592.5	2,113.30	22,479.2
Claims incurred	14,691.7	-	14,691.7
Provision for unearned premiums	11,011.4	1,386.1	9,625.3
Provisions for unpaid claims	7,452.8	50	7,402.8

5.6.2. Risk management processes

The Board of Directors of Finnish P&C Insurance Ltd annually confirms the investment plan specifying the investment diversification and return objectives, currency restrictions, liquidity objectives, maintenance of investment assets and authorities.

Investment activities are the responsibility of the person responsible for investments within the organisation, who is a subordinate of the Managing Director. The management of the investment portfolio has been outsourced. Investment decisions are made by the Board of Directors, Managing Director, investment team appointed by the Executive Group, Investment Director and treasurer within their mandate. The mandate of the portfolio manager is specified in a written agreement. The portfolio manager regularly reports to the company. The team in charge of investment activities takes care of the implementation of the risk management guidelines and regulations issued by the authorities in investment activities.

5.6.3. Quantitative information about the risk structure of the investment portfolio

Investment risk was kept at a moderate level in 2015. At the end of 2015, investment assets totalled EUR 28.1 million (19.6) at fair value. Only liquid euro-denominated direct and indirect interest rate instruments and deposits were used in the investments.

Fixed income investments were allocated to money market funds, bonds issued by EEA states with an average credit rating of AAA and direct bonds issued by Nordic credit institutions and companies. At the end of the year, the average maturity of fixed income investments was 1.9 years (1.2).

5.7 Liquidity risk

Liquidity risk refers to the risk of the company not having liquid assets to meet its future liability to pay within due time. With regard to Finnish P&C Insurance Ltd, liquidity risk refers to claims paid and the company's other liabilities to pay. The company's liabilities are primarily comprised of technical provisions covered by liquid financial instruments. With regard to other liabilities, the company monitors the liquidity position through cash flow analysis. With regard to major losses, liquidity is secured by way of reinsurance.

5.8 Operational risks

5.8.1. Specification of risks and risk management strategy

Operational risk refers to exposure to risk of loss caused by own operations and related choices. Operational risks can be related to internal processes, IT systems or personnel, for example. With regard to external factors, operational risk can arise from events causing a partner company's inability to perform, for example.

The governance and management system of Finnish P&C Insurance Ltd and internal control as a whole play a key role in the management of operational risks.

5.8.2. Risk management processes

Operational risks are surveyed as part of Finnish P&C Insurance Ltd's risk management process described above. The management of operational risks is supported through internal control and occupational health and safety measures. The reporting and monitoring models make it possible to observe an increase in the probability or effect of risks.

Risks related to the company's IT systems and technical solutions have been prepared, for example, by documenting the IT practices and preparing a continuity plan. A 24-hour on-call and alarm practice ensures swift reaction in emergencies.

5.8.3. Key operational risks

Due to the nature of the company's operations and business mode, the key operational risks concern the company's IT system structure and activities supporting or developing it. The performance and operational stability of the IT system as a whole has been monitored closely.

Personnel risk has been mitigated by decreasing dependence on partners and their employees. In spite of the development of the in-house organisation, the organisation is still relatively small and competence is concentrated. Because of this, the company's personnel risk is significant.

5.9 Key other risks

Other risks herein refer to all identified risks that have not been specifically mentioned above.

Other risks are included in the scope of the company's risk management process similarly to the above-mentioned insurance risks, investment risks and operational risks.

Key other risks include strategic risks and data security risks, such as possible denial of service attacks or other attempts to prevent or interfere with the company's online business.

NOTE 48.10: The POP Bank Group's operating segments

The operating segments of POP Bank Group are banking and insurance. The operating segments are reported in a way that is consistent with the internal reporting to the management. The reporting of operating segments complies with the accounting policies applied to the Group's IFRS financial statements, presented in Note 2. The chief operating decision maker of the POP Bank Group is the Board of Directors of the Group's central institution POP Bank Alliance Coop. The central institution is responsible for the allocation of resources and assessing the profitability of operations.

The Banking segment includes the member cooperative banks and Bonum Bank Ltd. Cooperative banks engage in retail banking and Bonum Bank Ltd acts as their central credit institution. 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 Insurance segment comprises Finnish P&C Insurance Ltd, a provider of vehicle, property and personal insurance policies to private customers. The most significant income items of Insurance are insurance premium revenue and net investment income. The most significant expense items of Insurance consist of personnel expenses and other operating expenses.

Internal transactions between banks included in the Banking segment are eliminated in segment reporting. Pricing between segments is based on market prices. Transactions between the Banking segment and the Insurance segment are included in eliminations presented with reconciliations. Unallocated items include income statement and balance sheet items related to other operations, the most significant of which are the items of POP Banks' guarantee fund.

POP Bank Group's operating segments 2015

Income statement 1 January–31 December 2015

(EUR 1,000)	Banking	Insurance	Segments total
Net interest income	61,618	-	61,618
Net commissions and fees	27,523	-	27,523
Net trading income	539	-	539
Net investment income	3,774	-	3,774
Net income from non-life insurance	-	5,155	5,155
Other operating income	5,065	-	5,065
Total operating income*	**98,519**	**5,155**	**103,674**
Personnel expenses	-29,040	-5,347	-34,388
Other operating expenses	-38,831	-3,740	-42,571
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-4,222	-1,294	-5,516
Total operating expenses	**-72,094**	**-10,381**	**-82,475**
Impairment losses on loans and other receivables	-4,961	-	-4,961
Profit before taxes	**21,464**	**-5,226**	**16,238**
Income taxes	-3,823	-3	-3,826
Profit for the financial year	**17,641**	**-5,229**	**12,412**
* Of the operating income, external	98,519	5,155	103,674
* Of the operating income, internal	-	-	-

Balance sheet 31 Dec. 2015

(EUR 1,000)	Banking	Insurance	Segments total
Assets			
Liquid assets	172,899	-	172,899
Assets at fair value through profit or loss	3,383	-	3,383
Loans and receivables from credit institutions	128,780	3,483	132,263
Loans and receivables from customers	3,029,032	-	3,029,032
Derivative contracts	5,356	-	5,356
Investment assets	686,487	-	686,487
Non-life insurance assets	-	37,610	37,610
Intangible assets	6,547	8,885	15,432
Property, plant and equipment	32,766	57	32,824
Other assets	13,293	162	13,455
Tax assets	3,266	56	3,322
Total assets	**4,081,809**	**50,252**	**4,132,062**
Liabilities			
Liabilities to credit institutions	112,658	-	112,658
Liabilities to customers	3,347,181	-	3,347,181
Non-life insurance liabilities	-	27,567	27,567
Debt securities issued	24,188	-	24,188
Supplementary cooperative capital	58,231	-	58,231
Other liabilities	54,151	1,752	55,903
Tax liabilities	24,995	153	25,149
Total liabilities	**3,621,404**	**29,473**	**3,650,876**

The POP Bank Group's operating segments 2014

Income statement 1 January–31 December 2014

(EUR 1,000)	Banking	Insurance	Segments total
Net interest income	61,125	-	61,125
Net commissions and fees	25,321	-	25,321
Net trading income	434	-	434
Net investment income	7,742	-	7,742
Net income from non-life insurance	-	1,361	1,361
Other operating income	1,941	-	1,941
Total operating income*	**96,563**	**1,361**	**97,924**
Personnel expenses	-28,477	-5,631	-34,108
Other operating expenses	-38,160	-3,697	-41,857
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-3,392	-1,183	-4,575
Total operating expenses	**-70,029**	**-10,511**	**-80,540**
Impairment losses on loans and other receivables	-4,331	-	-4,331
Profit before taxes	**22,203**	**-9,150**	**13,053**
Income taxes	-5,249	-10	-5,259
Profit for the financial year	**16,954**	**-9,160**	**7,793**
* Of the operating income, external	96,563	1,242	97,805
* Of the operating income, internal	-	119	119

Balance sheet 31 Dec. 2014

(EUR 1,000)	Banking	Insurance	Segments total
Assets			
Liquid assets	12,959	-	12,959
Assets at fair value through profit or loss	3,495	-	3,495
Loans and receivables from credit institutions	410,572	647	411,219
Loans and receivables from customers	2,939,880	-	2,939,880
Derivative contracts	7,682	-	7,682
Investment assets	430,048	-	430,048
Non-life insurance assets	-	31,803	31,803
Intangible assets	5,226	9,547	14,772
Property, plant and equipment	33,591	89	33,680
Other assets	15,913	139	16,052
Tax assets	2,497	44	2,541
Total assets	**3,861,861**	**42,268**	**3,904,129**
Liabilities			
Liabilities to credit institutions	8,113	470	8,584
Liabilities to customers	3,251,225	-	3,251,225
Non-life insurance liabilities	-	23,519	23,519
Debt securities issued	24,361	-	24,361
Subordinated liabilities	2,223	-	2,223
Supplementary cooperative capital	83,703	-	83,703
Other liabilities	47,460	1,774	49,234
Tax liabilities	26,623	150	26,773
Total liabilities	**3,443,709**	**25,914**	**3,469,622**

Reconciliations

(EUR 1,000)	2015	2014
Income		
Segments' total income	103,674	97,924
Eliminations of internal items between segments	0	-119
Unallocated income, other functions	4,627	6,324
Eliminations of internal items between segments and other functions	-4,467	-3,221
Group's total income	**103,834**	**100,908**
Result		
Segments' total result	12,412	7,793
Unallocated items	-3,319	-316
Group's total result	**9,093**	**7,478**
Assets		
Total assets of the segments	4,132,062	3,904,129
Eliminations of internal items between segments	-3,321	-865
Unallocated assets, other functions	129,754	131,015
Eliminations of internal items between segments and other functions	-184,595	-175,756
Group's total assets	**4,073,900**	**3,858,523**
Liabilities		
Segments' total liabilities	3,650,876	3,469,622
Eliminations of internal items between segments	-3,321	-865
Unallocated liabilities, other functions	19,445	18,875
Eliminations of internal items between segments and other functions	-19,082	-23,653
Group's total liabilities	**3,647,918**	**3,463,980**

NOTE 48.11: Net interest income

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Interest income		
Loans and advances to credit institutions	2,123	2,791
Loans and advances to customers*	72,060	72,824
Debt securities	4,211	3,928
Hedging derivatives	3,387	153
Other interest income	894	994
Total interest income	**82,674**	**80,690**
Interest expenses		
Liabilities to credit institutions	-734	-690
Liabilities to customers	-20,110	-22,630
Debt securities issued	-401	-454
Hedging derivatives	-97	4,167
Subordinated liabilities	-12	-73
Other interest expenses	-82	-18
Total interest expenses	**-21,437**	**-19,699**
Net interest income	**61,237**	**60,991**
*Impaired loans	453	396

NOTE 48.12: Net commissions and fees

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Commissions and fees		
Lending	7,559	7,555
Deposits	1,051	358
Payment transfers	12,527	11,591
Securities brokerage	84	122
Legal services	1,839	1,826
Intermediated services	2,714	2,823
Issuing guarantees	1,790	2,274
Funds	1,966	1,632
Other commission income	2,937	3,912
Total commissions and fees	**32,467**	**32,092**
Commission expenses		
Payment transfers	-853	-1,048
Securities	-677	-1,092
Other commission expenses	-704	-2,982
Total commission expenses	**-2,234**	**-5,122**
Net commissions and fees	**30,233**	**26,970**

NOTE 48.13: Net trading income

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Net income from hybrid instruments		
Capital gains and losses	17	58
Fair value gains and losses	187	169
Net income from foreign exchange operation	335	199
Net income from hedge accounting		
Change in the fair value of hedging instruments	-2,456	-807
Change in the fair value of hedged instruments	2,456	815
Net trading income	**539**	**434**

NOTE 48.14: Net investment income

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Net income from available-for-sale financial assets		
Debt securities		
Capital gains and losses	-19	32
Impairment losses	-47	-329
Transferred from fair value reserve	670	1,192
Debt securities	**603**	**895**
Shares and participations		
Capital gains and losses	821	912
Impairment losses	-5,233	-262
Transferred from fair value reserve	6,321	3,830
Dividend income	1,326	1,402
Total shares and participations	**3,235**	**5,883**
Total net income from available-for-sale financial assets	**3,838**	**6,778**
Net income from investment property		
Rental income	4,396	4,382
Capital gains and losses	-292	289
Other income from investment property	103	640
Maintenance charges and expenses	-3,500	-2,779
Depreciation and amortisation of investment property	-1,313	-584
Other expenses from investment property	-7	-14
Total net income from investment property	**-612**	**1,934**
Total net investment income	**3,226**	**8,712**

NOTE 48.15: Net income from non-life insurance

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Insurance premium revenue		
Premiums written	30,429	24,593
Change in the provision for unearned premiums	-949	-1,816
Gross insurance premium revenue	**29,480**	**22,776**
Ceded to reinsurers	-1,386	-1,791
Total insurance premium revenue	**28,094**	**20,986**
Claims incurred		
Claims paid	-20,345	-14,692
Change in provision for unpaid claims	-2,476	-5,013
Total claims incurred, gross	**-22,821**	**-19,705**
Ceded to reinsurers	-50	17
Total claims incurred	**-22,871**	**-19,688**
Net investment income	9	63
Total net income from non-life insurance	**5,232**	**1,361**

Net investment income from non-life insurance

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Net income from available-for-sale financial assets		
Debt securities		
Interest income	46	33
Capital gains and losses	-68	41
Total net income from available-for-sale financial assets	**-21**	**74**
Other investment income and expenses		
Interest income	50	98
Interest expenses	-2	-2
Other investment income	51	2
Investment income management expenses	-68	-109
Other investment income and expenses total	**31**	**-10**
Total net investment income from non-life insurance	**9**	**63**

The net investment income of the investment activities of the non-life insurance company includes all income and expenses from investments.

Insurance category-specific information 2015

(EUR 1,000)	Premiums written before share ceded to reinsurers	Insurance premium revenue before share ceded to reinsurers	Claims incurred before share ceded to reinsurers	Operating expenses before reinsurers' commissions and shares of profit	Ceded to reinsurers	Balance on technical account before change in equalisation provisions
Other accident and health	775	734	-497	-265	-16	-43
Motor vehicle third party	18,574	17,803	-10,752	-6,337	-1,264	-550
Land vehicles	8,796	8,756	-9,553	-3,001	-7	-3,804
Vessels, aircraft, rail stock and transport	378	351	-352	-129	-5	-135
Fire and other property loss	1,449	1,400	-1,109	-494	-121	-324
Third party	133	126	-408	-45	-7	-334
Legal expenses	198	191	-119	-68	-10	-6
Other	126	119	-32	-43	-6	37
Direct insurance total	**30,429**	**29,480**	**-22,821**	**-10,381**	**-1,436**	**-5,158**
Reinsurance	-	-	-	-	-	-
Total	**30,429**	**29,480**	**-22,821**	**-10,381**	**-1,436**	**-5,158**
Change in the equalisation provisions						-
Balance on technical account 2015						-5,158

Insurance category-specific information 2014

(EUR 1,000)	Premiums written before share ceded to reinsurers	Insurance premium revenue before share ceded to reinsurers	Claims incurred before share ceded to reinsurers	Operating expenses before reinsurers' commissions and shares of profit	Ceded to reinsurers	Balance on technical account before change in equalisation provisions
Other accident and health	605	534	-737	-259	-13	-474
Motor vehicle third party	14,667	13,733	-8,566	-6,268	-1,302	-2,404
Land vehicles	7,497	6,928	-8,671	-3,204	-404	-5,351
Vessels, aircraft, rail stock and transport	276	236	-292	-118	-7	-181
Fire and other property loss	1,189	1,042	-1,275	-508	-26	-768
Third party	103	87	-88	-44	-6	-51
Legal expenses	159	134	-52	-68	-10	5
Other	97	83	-24	-41	-6	11
Direct insurance total	**24,593**	**22,776**	**-19,705**	**-10,511**	**-1,774**	**-9,213**
Reinsurance	-	-	-	-	-	-
Total	**24,593**	**22,776**	**-19,705**	**-10,511**	**-1,774**	**-9,213**
Change in the equalisation provisions						-
Balance on technical account 2014						-9,213

NOTE 48.16: Other operating income

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Rental and dividend income from owner-occupied properties	188	629
Capital gains on owner-occupied properties	203	634
Recognition of Deposit Guarantee Fund contribution	1,747	0
Other income	1,228	1,177
Total other operating income	**3,366**	**2,440**

Other operating income includes recognition of EUR 1,747 thousand (-) of contribution paid to the old Deposit Guarantee Fund. The fee collected by the new Financial Stability Board for deposit guarantee purposes will be covered with payments made to the old Deposit Guarantee Fund pursuant to the Credit Institutions Act. Contributions paid to the old fund are recognised as income when the old fund makes a payment to the new fund and the same amount of contribution is recognised in other operating expenses. Before the start of the operations of the amalgamation, the deposit guarantee was bank-specific and the contribution was also determined bank-specifically.

NOTE 48.17: Personnel expenses

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Wages and salaries	-30,170	-29,842
Indirect personnel expenses	-1,155	-1,095
Pension expenses		
Defined contribution plans	-6,178	-5,978
Defined benefit plans	382	413
Total personnel expenses	**-37,121**	**-36,502**

Remuneration of personnel (Pillar III information on remuneration)

Fixed remuneration and variable remuneration

(EUR 1,000)	Number of personnel		Fixed wages and salaries		Variable remuneration	
Employee group	2015	2014	2015	2014	2015	2014
Management	6	5	629	573	-	-
Risk-takers	84	84	5,443	5,749	122	680
Other personnel	605	583	23,084	21,942	893	897
Total	**695**	**672**	**29,155**	**28,265**	**1,014**	**1,577**

Remuneration by business area 2015

(EUR 1,000)	Banking	Insurance	Other operations	Total
Fixed wages and salaries	23,356	3,777	2,022	29,155
Variable remuneration	456	559	-	1,014
Total remuneration	**23,812**	**4,336**	**2,022**	**30,170**

Remuneration by business area 2014

(EUR 1,000)	Banking	Insurance	Other operations	Total
Fixed wages and salaries	22,904	3,546	1,815	28,265
Variable remuneration	553	1,023	0	1,577
Total remuneration	**23,457**	**4,570**	**1,815**	**29,842**

Remuneration to related parties is presented in Note 48.47.

The POP Bank Group did not pay signing bonuses or redundancy payments in 2015. The Group also has not determined redundancy payments in 2015. The POP Bank Group has not paid compensation of over EUR 1 million.

Other information about remuneration is presented in the additional financial information Note 48.8, Governance and management.

NOTE 48.18: Other operating expenses

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Other administrative expenses		
Other personnel expenses	-2,889	-2,700
Office expenses	-6,323	-4,707
ICT expenses	-13,146	-11,100
Telecommunications	-2,618	-2,199
Entertainment and marketing expenses	-5,143	-4,136
Other administrative expenses total	**-30,119**	**-24,842**
Other operating expenses		
Rental expenses	-1,847	-1,951
Expenses arising from owner-occupied properties	-3,652	-3,879
Capital losses on owner-occupied properties	-29	-131
Bank levy	-	-2,776
Guarantee fund contributions	284	-
Contribution to the Deposit Guarantee Fund	-1,747	-1,779
Insurance and security expenses	-2,453	-2,462
Audit fees		
Statutory audit	-217	-212
Audit-related services	-47	-25
Tax advisory	-2	-1
Other expert services	-23	-23
Other services	-1,020	-1,366
Other operating expenses	**-2,481**	**-3,089**
Other operating expenses total	**-13,234**	**-17,693**
Total other operating expenses	**-43,353**	**-42,535**

NOTE 48.19: Depreciation, amortisation and impairment of property, plant and equipment and intangible assets

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Depreciation and amortisation on property, plant and equipment and intangible assets		
Buildings	-949	-933
Machinery and equipment	-1,128	-1,308
Intangible assets	-2,069	-1,207
Other	-1,222	-1,123
Total depreciation and amortisation of property, plant and equipment and intangible assets	**-5,368**	**-4,572**
Impairment losses on property, plant and equipment		
Owner-occupied properties	-155	-219
Impairment losses on property, plant and equipment total	**-155**	**-219**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets total	**-5,523**	**-4,791**

NOTE 48.20: Income tax

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Current tax	-3,856	-5,309
Tax for prior financial years	-28	176
Change in deferred taxes	100	-139
Total income tax expense	**-3,783**	**-5,272**

Reconciliation between tax expense in the income statement and tax expense calculated using the applicable tax rate

Profit before tax	12,876	12,750
Income tax rate	20%	20%
Tax calculated at the tax rate	-2,575	-2,550
+ Tax-exempt income	211	157
- Non-deductible expenses	-166	-978
- Taxable earnings not included in the profit	-	-486
+ Deductible expenses not included in the profit	210	486
+ Use of tax losses carried forward from previous years	34	5
- Deferred tax assets not recognised on losses	-1,228	-2,092
+/- Difference due to the differing tax rate of foreign companies	-226	30
+/- Tax for prior financial years	-28	176
+/- Other direct taxes	-16	-18
Tax expense in the income statement	**-3,783**	**-5,272**

NOTE 48.21: Carrying amounts of financial assets and financial liabilities by measurement category

(EUR 1,000)	1 January–31 December 2015	1 January–31 December 2014
Financial assets at fair value through profit or loss		
Interest income	162	115
Fair value gains and losses	-82	-11
Capital gains and losses	17	58
Total income and expenses from financial assets at fair value through profit or loss	**98**	**162**
Available-for-sale financial assets		
Interest income and expenses	4,368	3,909
Transferred from fair value reserve	7,207	4,927
Dividend income	1,326	1,402
Capital gains and losses	549	1,080
Impairment losses	-5,281	-591
Income and expenses from financial assets classified as held for sale	**8,169**	**10,729**
Financial assets held to maturity		
Interest income	246	447
Total income and expenses on financial assets held to maturity	**246**	**447**
Loans and receivables		
Interest income	73,714	75,203
Other income	8,630	7,915
Impairment of loans and receivables	-647	-2,267
Total net income on loans and receivables	**81,697**	**80,851**
Other financial liabilities		
Interest expenses	-21,419	-23,867
Other expenses	-68	-28
Total income and expenses on other financial liabilities	**-21,487**	**-23,895**
Derivative contracts		
Interest income and expenses from fair value hedges	3,290	4,320
Net income from fair value hedging	0	8
Other income and expenses	269	180
Total income and expenses on derivative contracts	**3,559**	**4,507**
Net income from foreign exchange operation	335	199
Total carrying amounts of financial assets and financial liabilities	**72,616**	**73,000**
Other operating income and expenses	-59,740	-60,251
Earnings before tax	**12,876**	**12,750**

NOTE 48.22: Classification of financial assets and financial liabilities

Assets 31 Dec. 2015

(EUR 1,000)	Loans and receivables	Measured at fair value through profit or loss	Hedging derivatives	Available-for-sale	Non-financial assets	Total carrying amount
Liquid assets	172,899	-	-	-	-	172,899
Assets at fair value through profit or loss	-	3,383	-	-	-	3,383
Loans and receivables from credit institutions	129,327	-	-	-	-	129,327
Loans and receivables from customers	3,013,972	-	-	-	-	3,013,972
Derivative contracts	-	-	5,356	-	-	5,356
Investment assets						
Debt securities	-	-	-	311,983	-	311,983
Shares and participations	-	-	-	289,823	-	289,823
Other	-	-	-	-	35,502	35,502
Non-life insurance assets	-	-	-	24,412	13,198	37,610
Total financial assets	**3,316,198**	**3,383**	**5,356**	**626,218**	**48,700**	**3,999,854**

In November 2015, the Board of Directors of Bonum Bank Ltd decided on an amendment to the investment policy, as the result of which Bonum Bonum Bank Ltd's held-to-maturity investments of EUR 63,744 thousand were reclassified as available-for-sale investments. As the result of the reclassification, the investments classified as held to maturity in the IFRS financial statements of the POP Bank Group, EUR 67,367, had to be reclassified as available-for-sale investments. In accordance with IAS 39, the POP Bank Group cannot classify investments into investments held to maturity in the next two financial years.

Liabilities 31 Dec. 2015

(EUR 1,000)	Other financial liabilities	Non-financial liabilities	Total carrying amount
Liabilities to credit institutions	112,783	-	112,783
Liabilities to customers	3,337,170	5,643	3,342,813
Debt securities issued to the public	24,188	-	24,188
Supplementary cooperative capital	58,231	-	58,231
Total financial liabilities	**3,532,372**	**5,643**	**3,538,015**

Assets 31 Dec. 2014

(EUR 1,000)	Loans and receivables	Held to maturity	At fair value through profit or loss	Hedging derivative contracts	Available-for-sale	Non-financial assets	Total carrying amount
Liquid assets	12,959	-	-	-	-	-	12,959
Assets at fair value through profit or loss	-	-	3,495	-	-	-	3,495
Loans and receivables from credit institutions	411,453	-	-	-	-	-	411,453
Loans and receivables from customers	2,926,485	-	-	-	-	-	2,926,485
Derivative contracts	-	-	-	7,682	-	-	7,682
Investment assets							
Debt securities	-	6,874	-	-	123,155	-	130,029
Shares and participations	-	-	-	-	224,868	-	224,868
Other	-	-	-	-	-	33,772	33,772
Non-life insurance assets	-	-	-	-	18,691	13,112	31,803
Total financial assets	**3,350,896**	**6,874**	**3,495**	**7,682**	**366,714**	**46,883**	**3,782,544**

Liabilities 31 Dec. 2014

(EUR 1,000)	Other financial liabilities	Non-financial liabilities	Total carrying amount
Liabilities to credit institutions	4,938	-	4,938
Liabilities to customers	3,239,373	8,238	3,247,611
Debt securities issued to the public	24,361	-	24,361
Subordinated liabilities	2,223	-	2,223
Supplementary cooperative capital	83,703	-	83,703
Total financial liabilities	**3,354,598**	**8,238**	**3,362,836**

NOTE 48.23: Liquid assets

(EUR 1,000)	2015	2014
Cash	13,752	12,954
Receivables from central banks repayable on demand	159,147	4
Cash and cash equivalents	**172,899**	**12,959**

Cash and cash equivalents comprise cash assets and cheque account with the Bank of Finland.

NOTE 48.24: Financial assets at fair value through profit or loss

(EUR 1,000)	2015	2014
Hybrid instruments		
Bonds	3,383	3,495
Total financial assets at fair value through profit or loss	**3,383**	**3,495**

NOTE 48.25: Loans and receivables

(EUR 1,000)	2015	2014
Loans and receivables from credit institutions		
Deposits		
Repayable on demand	63,415	232,980
Other	65,912	178,473
Total loans and advances to credit institutions	**129,327**	**411,453**
Loans and advances to customers		
Loans	2,919,646	2,871,680
Loans granted from government funds	9,026	11,290
Guarantees	184	1
Used overdrafts	44,002	41,800
Other receivables	41,115	1,714
Total loans and advances to customers	**3,013,972**	**2,926,485**
Total loans and receivables	**3,143,299**	**3,337,938**

POP Banks belonging to the POP Bank Group have additionally intermediated Aktia Real Estate Mortgage Bank's loans. POP Banks have the right to purchase the Aktia Real Estate Mortgage Bank loans they have intermediated during 2016. The loans intermediated by POP Banks amounted to EUR 203,105 thousand on 31 December 2015.

Impairment losses recorded on loans and receivables

(EUR 1,000)	2015	2014
Increases in impairment losses	-5,768	-5,608
Reversals of impairment losses	827	856
Change in collectively assessed impairment losses	-357	51
Reversals of impairment losses from final credit losses	4,652	2,434
Final credit losses	-4,314	-2,064
Impairment losses on loans and receivables	**-4,961**	**-4,331**

Accrued impairment losses on loans and receivables in the balance sheet

	2015	2014
Impairment losses 1 January	16,286	14,019
+ Increases in impairment losses	5,768	5,608
- Reversals of impairment losses	-827	-856
+/- Change in collectively assessed impairment losses	357	-51
- Reversals of impairment losses from final credit losses	-4,652	-2,434
Impairment losses 31 December	**16,933**	**16,286**

NOTE 48.26: Derivative contracts and hedge accounting

Positive value changes of hedging derivative contracts

(EUR 1,000)	2015	2014
Fair value hedging		
Interest rate derivatives	5,356	7,682
Hedging derivatives total	**5,356**	**7,682**
Change in the fair value of the hedged item	-5,643	-8,238

Nominal values of the underlying instruments of derivative contracts held for hedging purposes and fair values of derivative contracts 31 Dec. 2015

(EUR 1,000)	Nominal values/residual maturity				Fair values
	< 1 year	1–5 years	> 5 years	Total	Assets
Fair value hedging					
Interest rate derivatives					
Interest rate swaps	35,000	80,000	-	115,000	5,356
Hedging derivatives total	**35,000**	**80,000**	**-**	**115,000**	**5,356**

Nominal values of the underlying instruments of derivative contracts held for hedging purposes and fair values of derivative contracts 31 Dec. 2014

(EUR 1,000)	Nominal values/residual maturity				Fair values
	< 1 year	1–5 years	> 5 years	Total	Assets
Fair value hedging					
Interest rate derivatives					
Interest rate swaps	44,000	115,000	-	159,000	7,682
Hedging derivatives total	**44,000**	**115,000**	**-**	**159,000**	**7,682**

The POP Bank Group has hedged the interest rate risk of borrowings from changes in fair value through interest rate derivatives and applies hedge accounting to all hedging relationships.

NOTE 48.27: Investment assets

(EUR 1,000)	2015	2014
Available-for-sale financial assets		
Debt securities	311,983	123,155
Shares and participations	289,823	224,868
Investments held to maturity		
Debt securities	-	6,874
Investment properties	35,502	33,772
Total investment assets	**637,308**	**388,668**

Available-for-sale financial assets 31 Dec. 2015

	Available-for-sale debt securities	Available-for-sale shares and participations		
(EUR 1,000)	At fair value	At fair value	At cost	Total
Quoted				
Public sector entities	50,442	-	-	-
From others	154,858	257,544	-	257,544
Other				
Public sector entities	54,518	-	-	-
From others	52,165	12,418	19,862	32,279
Investments total	**311,983**	**269,961**	**19,862**	**289,823**

Available-for-sale financial assets and investments held to maturity 31 December 2014

	Available-for-sale debt securities	Available-for-sale shares and participations			Held-to-maturity investments
(EUR 1,000)	At fair value	At fair value	Acquisition cost	Total	At amortised cost
Quoted					
Public sector entities	22,032	-	-	-	1,005
From others	84,539	191,002	-	191,002	3,146
Other					
Public sector entities	-	-	-	-	-
From others	16,584	12,500	21,366	33,866	2,722
Investments total	**123,155**	**203,502**	**21,366**	**224,868**	**6,874**

The available-for-sale financial assets presented in the tables do not include available-for-sale financial assets included in non-life insurance assets.

Available-for-sale shares and participations measured at cost are POP Banks' equity investments in shares of companies that are absolutely necessary for its operation and for which a reliable fair value cannot be determined. The most significant unquoted investments are shares in Aktia Real Estate Mortgage Bank and Samlink Ltd. Aktia Bank Plc has undertaken to redeem the Aktia Real Estate Mortgage Bank shares held by POP Banks after the financial statements for 2016.

Bonum Bank Ltd, the issuer of the payment cards of POP Banks, and POP Bank Alliance Coop are Visa Europe's members (Principal Member and Associate Member, respectively). Authorised by the shareholders of the company, Visa Europe's Board of Directors has agreed on the selling of the company to the American Visa Inc. company. The approval of the authorities is required before this can be realised. The realisation of the sale is expected to be confirmed in the second quarter of 2016. Due to the ownership structure of Visa Europe, the capital gain to the POP Bank Group cannot be reliably estimated.

Impairment losses on available-for-sale financial assets

(EUR 1,000)	Debt securities	Shares and participations	Total
Impairment losses 1 January 2015	329	805	1,134
+ Increases in impairment losses	47	6,359	6,407
- Reversals of impairment losses	-	-1,482	-1,482
Impairment losses 31 Dec. 2015	**376**	**5,683**	**6,059**

(EUR 1,000)	Debt securities	Shares and participations	Total
Impairment losses 1 January 2014	-	765	765
+ Increases in impairment losses	329	186	515
- Reversals of impairment losses	-	-146	-146
Impairment losses 31 Dec. 2014	**329**	**805**	**1,134**

Changes in investment property

(EUR 1,000)	2015	2014
Acquisition cost 1 Jan.	41,312	41,277
+ Increases	4,819	2,810
- Decreases	-2,076	-2,316
+/- Transfers	80	-460
Acquisition cost 31 Dec.	**44,135**	**41,312**
Accumulated depreciation and impairment on 1 Jan.	-7,541	-7,229
+/- Accumulated depreciation on decreases and transfers	150	362
- Depreciation	-534	-740
- Impairment losses	-709	-
Accumulated depreciation and impairment 31 Dec.	**-8,634**	**-7,541**
Carrying amount 1 Jan.	33,772	34,114
Carrying amount 31 Dec.	35,502	33,772

NOTE 48.28: Non-life insurance assets

(EUR 1,000)	2015	2014
Investments		
Shares and participations	7,900	5,165
Bonds	16,512	13,526
Other assets		
Other receivables		
Direct insurance operations	13,034	12,907
Other receivables	164	205
Non-life insurance assets total	**37,610**	**31,803**

NOTE 48.29: Intangible assets

(EUR 1,000)	2015	2014
Information systems	11,852	11,757
Other intangible assets	3,370	545
Incomplete intangible assets	617	2,519
Total intangible assets	**15,839**	**14,822**

The most significant intangible assets of the POP Bank Group are comprised of expenses resulting from the acquisition of non-life insurance and banking information systems. At the end of the financial year 2015, the carrying amount of the non-life insurance information system totalled EUR 8,885 thousand (9,547).

Impairment testing of the non-life insurance system has been carried out in accordance with IAS 36. As the result of the testing, the recoverable amount exceeds the carrying amount of the intangible asset.

Changes in intangible assets 2015

(EUR 1,000)	Information systems	Other intangible assets	Incomplete intangible assets	Total
Acquisition cost 1 Jan.	14,537	2,232	2,519	19,288
+ Increases	2,241	3,455	507	6,203
- Decreases	-13	-25	-2,439	-2,478
+/- Transfers	-	-	29	29
Acquisition cost 31 Dec.	**16,764**	**5,662**	**617**	**23,043**
Accumulated depreciation and impairment on 1 Jan.	-2,780	-1,686	-	-4,466
+/- Accumulated depreciation on decreases and transfers	13	-	-	13
- Depreciation	-2,146	-605	-	-2,751
Accumulated depreciation and impairment 31 Dec.	**-4,912**	**-2,292**	**-**	**-7,204**
Carrying amount 1 Jan.	11,757	545	2,519	14,822
Carrying amount 31 Dec.	11,852	3,370	617	15,839

Changes in intangible assets 2014

(EUR 1,000)	Information systems	Other intangible assets	Incomplete intangible assets	Total
Acquisition cost 1 Jan.	12,412	2,031	42	14,485
+ Increases	2,125	290	3,495	5,910
- Decreases	0	-89	-1,018	-1,107
Acquisition cost 31 Dec.	**14,537**	**2,232**	**2,519**	**19,288**
Accumulated depreciation and impairment on 1 Jan.	-1,317	-1,499	-	-2,817
+/- Accumulated depreciation on decreases and transfers	-	-1	-	-1
- Depreciation	-1,462	-186	-	-1,648
Accumulated depreciation and impairment 31 Dec.	**-2,780**	**-1,686**	**-**	**-4,466**
Carrying amount 1 Jan.	11,095	531	42	11,668
Carrying amount 31 Dec.	11,757	545	2,519	14,822

NOTE 48.30: Property, plant and equipment

(EUR 1,000)	2015	2014
Owner-occupied properties		
Land and water	2,748	2,683
Buildings	34,780	34,690
Machinery and equipment	2,927	3,494
Other tangible assets	769	790
Construction in progress	-	742
Property, plant and equipment total	**41,224**	**42,400**

Changes in property, plant and equipment 2015

(EUR 1,000)	Owner-occupied properties	Machinery and equipment	Other tangible assets	Property, plant and equipment in progress	Total
Acquisition cost 1 Jan.	57,413	17,173	937	742	76,265
+ Increases	2,432	618	9	50	3,109
- Decreases	-1,428	-64	-18	-	-1,510
+/- Transfers	570	-	-	-793	-222
Acquisition cost 31 Dec.	**58,987**	**17,726**	**928**	**-**	**77,641**
Accumulated depreciation and impairment on 1 Jan.	-20,039	-13,679	-147	-	-33,865
+/- Accumulated depreciation on decreases and transfers	93	39	5	-	137
- Depreciation	-1,358	-1,159	-17	-	-2,534
- Impairment losses	-155	-	-	-	-155
Accumulated depreciation and impairment 31 Dec.	**-21,460**	**-14,799**	**-158**	**-**	**-36,417**
Carrying amount 1 Jan.	37,374	3,494	790	742	42,400
Carrying amount 31 Dec.	37,527	2,927	769	-	41,224

Changes in property, plant and equipment 2014

(EUR 1,000)	Owner-occupied properties	Machinery and equipment	Other tangible assets	Property, plant and equipment in progress	Total
Acquisition cost 1 Jan.	56,968	16,296	870	610	74,744
+ Increases	1,702	1,015	96	375	3,188
- Decreases	-1,716	-138	-30	-243	-2,127
+/- Transfers	460	-	-	-	460
Acquisition cost 31 Dec.	**57,413**	**17,173**	**937**	**742**	**76,265**
Accumulated depreciation and impairment on 1 Jan.	-17,479	-12,275	-131	-	-29,885
+/- Accumulated depreciation on decreases and transfers	211	40	-	-	251
- Depreciation	-2,551	-1,444	-16	-	-4,012
- Impairment losses	-219	-	-	-	-219
Accumulated depreciation and impairment 31 Dec.	**-20,039**	**-13,679**	**-147**	**-**	**-33,865**
Carrying amount 1 Jan.	39,488	4,021	740	610	44,859
Carrying amount 31 Dec.	37,374	3,494	790	742	42,400

NOTE 48.31: Other assets

(EUR 1,000)	2015	2014
Payment transfer receivables	65	62
Pension assets	-	489
Accrued income and prepaid expenses		
Interest	11,521	11,854
Other accrued income and prepaid expenses	1,259	2,642
Other	737	1,138
Other assets total	**13,582**	**16,185**

Defined benefit pension plans and related assets are presented in more detail in Note 48.44.

NOTE 48.32: Deferred taxes

(EUR 1,000)	2015	2014
Tax assets		
Deferred tax assets	2,358	2,600
Income tax receivables	1,043	-26
Total tax assets	**3,401**	**2,574**
Tax liabilities		
Deferred tax liabilities	24,844	25,139
Income tax liability	437	1,785
Total tax liabilities	**25,281**	**26,923**

Deferred tax assets

(EUR 1,000)	1 Jan- 2015	Recognised through profit and loss	Recognised in other comprehensive income	31 Dec. 2015
Available-for-sale financial assets	1,863	143	-674	1,332
Collective impairment	485	71	-	557
Advances received	48	-17	-	31
Defined benefit pension plans	-	-117	168	51
Approved tax losses	-	74	-	74
Consolidation	204	178	-68	314
Total deferred tax assets	**2,600**	**332**	**-574**	**2,358**

(EUR 1,000)	1 Jan. 2014	Recognised through profit and loss	Recognised in other comprehensive income	31 Dec. 2014
Available-for-sale financial assets	1,920	-60	3	1,863
Collective impairment	495	-10	-	485
Advances received	-	48	-	48
Defined benefit pension plans	42	-42	-	-
Consolidation	-	204	-	204
Total deferred tax assets	**2,457**	**139**	**3**	**2,600**

The companies belonging to the POP Bank Group have EUR 29,867 thousand (24,442) of losses for which no deferred tax assets have been recognised. The losses will expire in 2021–2025.

Deferred tax liabilities

(EUR 1,000)	1 Jan- 2015	Recognised through profit and loss	Recognised in other comprehensive income	31 Dec. 2015
Appropriations	21,497	394	-	21,891
Available-for-sale financial assets	2,509	-	-474	2,035
Intangible assets	1,034	-117	-	917
Defined benefit pension plans	98	-41	-57	-
Total deferred tax liabilities	**25,139**	**236**	**-531**	**24,844**

(EUR 1,000)	1 Jan. 2014	Recognised through profit and loss	Recognised in other comprehensive income	31 Dec. 2014
Appropriations	21,882	-385	-	21,497
Available-for-sale financial assets	1,730	-	779	2,509
Cash flow hedge	18	-	-18	-
Intangible assets	412	622	-	1,034
Defined benefit pension plans	-	41	57	98
Total deferred tax liabilities	**24,042**	**279**	**818**	**25,139**

Amounts recognised in other comprehensive income and related deferred taxes 2015

(EUR 1,000)	Gross change	Deferred tax	Net change
Fair value reserve	1,592	-280	1,312
Defined benefit plans	-1,117	223	-894
Amounts recognised in other comprehensive income, total	**475**	**-57**	**418**

Amounts recognised in other comprehensive income and related deferred taxes 2014

(EUR 1,000)	Gross change	Deferred tax	Net change
Fair value reserve	3,637	-748	2,889
Cash flow hedging	-84	14	-70
Defined benefit plans	285	-57	228
Amounts recognised in other comprehensive income, total	**3,838**	**-791**	**3,047**

NOTE 48.33: Liabilities to credit institutions and customers

(EUR 1,000)	2015	2014
Liabilities to credit institutions		
Liabilities to central banks	16,611	-
Liabilities to credit institutions		
Repayable on demand	81,175	5,530
Not repayable on demand	14,996	-592
Total liabilities to credit institutions	**112,783**	**4,938**
Liabilities to customers		
Deposits		
Repayable on demand	2,424,924	2,344,970
Not repayable on demand	903,469	883,372
Other financial liabilities		
Not repayable on demand	14,421	19,268
Total liabilities to customers	**3,342,813**	**3,247,611**
Total liabilities to credit institutions and customers	**3,455,596**	**3,252,549**

NOTE 48.34: Non-life insurance liabilities

(EUR 1,000)	2015	2014
Insurance contract liabilities	21,889	17,028
Liabilities from direct insurance operations	692	473
Liabilities from reinsurance operations	369	1,550
Other	4,617	4,468
Total non-life insurance liabilities	**27,567**	**23,519**

Insurance contract liabilities

(EUR 1,000)	2015	2014
Provision for unearned premiums	11,960	11,011
Ceded to reinsurers	-	-1,386
Provisions for unpaid claims	9,929	7,453
Ceded to reinsurers	-	-50
Total insurance contract liabilities	**21,889**	**17,028**

Insurance contract liabilities consist of insurance liability and provisions for unpaid claims. Premiums written include insurance premiums for the contract periods that have begun during the financial year. The portion of premiums written for the post-balance sheet date is recorded as provision for unearned premiums in the balance sheet. Unpaid claims are based on a collective provision proportioned both case-specifically and to previous insurance premium revenue and include indemnities for losses that have already occurred on the closing date but have not been paid yet and losses that have not yet been reported.

NOTE 48.35: Debt securities issued to the public

(EUR 1,000)	2015	2014
Bonds	23,356	23,321
Other		
Certificates of deposit	832	1,040
Total debt securities issued to the public	**24,188**	**24,361**

NOTE 48.36: Subordinated liabilities

(EUR 1,000)	Average interest rate, %	2015	2014
Debentures	2.5	-	2,223
Subordinated liabilities total		**-**	**2,223**

NOTE 48.37: Cooperative and supplementary cooperative capital

(EUR 1,000)	2015	2014
Cooperative capital classified as a liability 1 Jan.	8,872	8,464
Increase in cooperative capital	421	1,157
Refunds of cooperative capital	-389	-749
Cooperative capital classified as equity capital	-8,904	-
Cooperative capital classified as a liability 31 Dec.	**-**	**8,872**
of which cancelled cooperative contributions	-	460
Supplementary cooperative capital 1 Jan.	74,831	76,846
Increase in supplementary cooperative capital	1,349	6,338
Refunds of supplementary cooperative capital	-6,696	-8,354
Converted into POP Shares	-11,253	-
Supplementary cooperative capital 31 Dec.	**58,231**	**74,831**
of which cancelled supplementary cooperative contributions	8,222	5,593
Cooperative and supplementary cooperative capital total 31 Dec.	**58,231**	**83,703**

In accordance with national corporate legislation, the cooperative capital of the member cooperative bank includes cooperative contributions, supplementary cooperative contributions and POP Shares. In the IFRS statements, the contributions are classified as assets or liabilities in accordance with IAS 32 Financial Instruments: Presentation.

Cooperative contributions

During the comparison period, the cooperative contributions of the member cooperative banks were classified as a liability in the IFRS financial statements as the banks did not have an absolute right to refuse from the refund of cooperative contribution in accordance with the rules of the cooperative banks. As a result of amendments to the rules decided on during the financial year 2015, the cooperative contributions can be classified as equity capital in the IFRS financial statements. The rules in force include the absolute right to refuse from the refund of cooperative contribution.

Interest paid on the cooperative contributions during the comparison period is presented in interest expenses.

Supplementary cooperative contributions

In accordance with the national corporate legislation, the supplementary cooperative capital is included in the equity capital of each cooperative bank. In the IFRS financial statements, supplementary cooperative capital is classified as a liability as the cooperative banks do not have an unconditional right to refuse refunding the supplementary cooperative capital to a member. Interest paid on the supplementary contribution is presented in interest expenses.

The supplementary contribution is refunded within six months of the end of the financial year based on which the refund can be made for the first time. If the refund cannot be made in full based on the provisions of the Co-Operatives Act or the Co-Operative Bank Act, the refund may take place subsequently if it is possible based on the next three financial statements.

The supplementary cooperative contributions can be converted into POP Shares, which are classified as equity capital in IFRS financial statements. During the financial year 2015, a total of EUR 11,253 thousand of supplementary cooperative capital was converted into POP Shares. More detailed information about POP Shares is provided in Note 48.39.

NOTE 48.38: Other liabilities

(EUR 1,000)	2015	2014
Pension liabilities	253	-
Other liabilities		
Payment transfer liabilities	35,302	33,091
Accrued expenses		
Interest payable	5,367	5,745
Other accrued expenses	6,091	9,355
Other		
Liabilities on card transactions	3,598	-
Refunded cooperative capital	4,968	2,267
Refunded development fees	608	243
Other	868	-
Total other liabilities	**57,056**	**50,701**

The POP Bank Group's central institution POP Bank Alliance Coop has undertaken to refund the capital invested by the cooperative banks that have resigned from it in accordance with a separately agreed schedule. The commitment amounts to EUR 4,968 thousand (2,267), and it is recognised in other liabilities. The liability is estimated to fall due in 2016.

Bonum Bank, a member of the POP Bank Group, has undertaken to refund the amounts collected for the development of information systems for central bank activities and card business from the co-operative banks that have resigned from POP Bank Alliance Coop insofar as the banks will not use these services after their withdrawal from the information systems used by the POP Bank Group. The commitment amounts to EUR 608 thousand (243), and it is recognised in other liabilities. The liability is estimated to fall due in 2016.

Defined benefit pension plans and related liabilities are presented in Note 46.42.

NOTE 48.39: Equity capital

Total equity attributable to the owners of the POP Bank Group

(EUR 1,000)	2015	2014
Cooperative capital, cooperative contributions	8,904	-
of which cancelled cooperative contributions	473	-
Cooperative capital, POP Shares	17,904	-
of which cancelled POP Shares	634	-
Restricted reserves		
Reserve fund	52,499	52,496
Reserves based on the Articles of Association/rules	1,163	830
Fair value reserve		
Available-for-sale financial assets	4,283	2,971
Non-restricted reserves		
Reserve for invested non-restricted equity	2,152	-
Other non-restricted reserves	95,984	94,084
Retained earnings		
Profit (loss) for previous financial years	230,611	226,850
Profit (loss) for the financial year	9,220	8,708
Total equity attributable to the owners of the POP Bank Group	**422,721**	**385,939**
Non-controlling interests	3,261	8,604
Total equity capital	**425,982**	**394,543**

Cooperative capital and classification of contributions as capital equity

The POP Bank Group's cooperative capital is composed of cooperative contributions and POP Shares.

Cooperative contributions

The capital equity of the POP Bank Group includes the cooperative contributions paid by the members of the member cooperative banks to the member cooperative banks, the payment of interest and refund of capital of which the bank has an unconditional right to refuse. The contribution conveys the member the right to participate in the governance and decision-making of the member cooperative bank.

The cooperative contributions of the cooperative banks were classified as capital equity on 31 December 2015. During the comparison period 31 December 2014, the cooperative contributions were classified as liabilities. The reclassification is the result of an amendment to the rules made in 2015 after which a cooperative bank has the absolute right to refuse from the payment of interest and refund of cooperative contribution.

On 31 December 2015, POP Banks had a total of 84 thousand (84) members.

POP Shares

The POP Bank Group's equity capital also includes investments made by the members of the member cooperative banks in POP Shares issued by the member cooperative banks. POP Shares are a new equity instrument issued for the first time during the financial year 2015. In accordance with the rules, the cooperative bank has an unconditional right to refuse from the payment of interest on POP Shares and refund of capital.

During the financial year 2015, the member banks of the POP Bank Group issued a total of EUR 17,904 thousand of POP Shares. Of this, the share new sales amounted to EUR 6,652 thousand and converted supplementary cooperative contributions amounted to EUR 11,253 thousand.

The targeted interest rate on POP Shares is 2.25% or 2.5%. The interest to be paid is confirmed after the end of the financial year at the cooperative meeting according to the proposal of the Board of Directors. The interest rate objective can change annually. POP Shares do not convey voting rights or other rights to the member.

A cooperative contribution and POP Share may be refunded within 12 months after the end of the financial year when membership terminated or POP Share was cancelled. If the refund of the cooperative contribution or POP Share cannot be made in full based on the provisions of the Co-Operatives Act or the Co-Operative Bank Act, the refund may take place subsequently if it is possible based on the next three financial statements. However, this entitlement to the refund for the balance will terminate after the fifth financial statements.

Supplementary cooperative contributions

The supplementary cooperative contributions included in equity capital in the cooperative banks' national financial statements are classified as a liability in the IFRS financial statements. The supplementary cooperative contributions can be converted into POP Shares, which are classified as equity capital in IFRS financial statements. More details on the supplementary cooperative contributions are provided in Note 48.37.

Restricted reserves

Restricted reserves include the reserve fund, fair value reserve and other restricted reserves. The reserve fund consists of profits transferred to it during previous periods and of the portion transferred to it from member cooperative banks' revaluation reserves and loan loss provisions. The reserve fund can be used to cover losses for which non-restricted equity is not sufficient.

The fair value reserve includes changes in the fair value of available-for-sale financial assets less deferred tax. The change in fair value may be positive or negative. The amounts recognised in the fair value reserve are transferred to the income statement, when the available-for-sale security is disposed of or an impairment loss is recognised on it. The reserve can also include the net fair value change of interest rate derivatives as cash flow hedges verified as effective and adjusted for deferred tax. Fair value changes are included in the income statement in the period when hedged cash flows affect net income.

Non-restricted reserves

Other non-restricted reserves consist of retained earnings based on the Articles of Association or other rules, or decisions taken by the general meeting or cooperative meeting. Other non-restricted reserves include the guarantee fund capital of POP Banks' guarantee fund.

Retained earnings

Retained earnings are earnings of Group entities accrued in previous financial years that have not been transferred to equity reserves or distributed to shareholders. Retained earnings also contain voluntary provisions and depreciation difference included in the separate financial statements of Group entities less deferred tax.

Specification of changes in fair value reserve

(EUR 1,000)	2015	2014
Fair value reserve 1 Jan.	2,971	206
Fair value change, shares and participations	-3,271	-1,499
Fair value change, other financial instruments	-2,115	43
Transferred to the income statement	6,991	5,022
Other changes	-13	-54
Deferred taxes	-280	-748
Fair value reserve 31 Dec.	**4,283**	**2,971**

NOTE 48.40: Collateral given and held

Collateral given

(EUR 1,000)	2015	2014
Given on behalf of own liabilities and commitments		
Pledges	3,442	5,231
Mortgages	536	868
Other collateral*	27,553	14,000
Other collateral given		
Pledges	0	400
Total collateral given	**31,531**	**20,499**

*Collateral of EUR 27,553 thousand given to the Bank of Finland on 31 December 2015

Collateral received

(EUR 1,000)	2015	2014
Real estate collateral	2,651,496	2,697,569
Other	51,785	56,626
Guarantees received	53,865	49,147
Total collateral received	**2,757,146**	**2,803,342**

NOTE 48.41: Off-balance-sheet commitments

(EUR 1,000)	2015	2014
Guarantees	24,508	64,768
Loan commitments	186,773	99,124
Total off-balance sheet commitments	**211,281**	**163,892**

The POP Banks included in the POP Bank Group have given an absolute guarantee to Aktia Bank Plc on behalf of all POP Banks that have made an identical transaction account contract with Aktia Bank Plc. The guarantee has covered receivables that Aktia Bank Plc may have due to a breach of the terms and conditions of the transaction account contracts. The activities covered by the guarantee discontinued in February 2015 when the payment accounts of POP Banks were transferred to Bonum Bank Ltd, and no liability can arise based on the guarantees after this. The amount of the guarantee given to Aktia Bank Plc was EUR 37,399 thousand on 31 December 2014.

NOTE 48.42: Offsetting of financial assets and financial liabilities

Financial assets subject to netting agreements which are not offset on the balance sheet 2015

(EUR 1,000)	Financial instruments	Security held as collateral	Cash held as collateral	Net amount
Derivative contracts	5,069	3,038	2,000	31
Total financial assets	**5,069**	**3,038**	**2,000**	**31**

Financial assets subject to netting agreements which are not offset on the balance sheet 2014

(EUR 1,000)	Financial instruments	Security held as collateral	Cash held as collateral	Net amount
Derivative contracts	7,563	4,018	3,000	545
Total financial assets	**7,563**	**4,018**	**3,000**	**545**

Financial assets and financial liabilities are not offset on the balance sheet. The derivative contracts presented are associated with the possibility of offsetting the receivables and liabilities included in the contract based on ISDA contracts.

NOTE 48.43: Fair values by valuation technique

Items recurrently measured at fair value 31 December 2015

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets					
Measured at fair value through profit or loss					
Banking	-	-	3,383	3,383	3,383
Derivative contracts					
Banking	-	5,356	-	5,356	5,356
Available-for-sale financial assets					
Banking	463,754	94,675	30,959	589,388	589,388
Insurance	24,412	-	-	24,412	24,412
Other	12,418	-	-	12,418	12,418
Total financial assets	**500,583**	**100,032**	**34,342**	**634,957**	**634,957**

The "Other" item under available-for-sale financial assets includes the available-for-sale assets of other operations, which are comprised of investments of the POP Banks' guarantee fund.

Items measured at amortised cost 31 December 2015

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets					
Loans and receivables					
Banking	-	3,123,949	-	3,123,949	3,143,299
Non-financial assets					
Investment properties					
Banking	-	-	43,575	43,575	35,502
Total assets measured at amortised cost		**3,123,949**	**43,575**	**3,167,524**	**35,502**
Financial liabilities					
Other financial liabilities					
Banking	-	3,519,270	-	3,519,270	3,532,372
Total financial liabilities measured at amortised cost	**-**	**3,519,270**	**-**	**3,519,270**	**3,532,372**

Items recurrently measured at fair value 31 December 2014

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets					
Measured at fair value through profit or loss					
Banking	18	-	3,477	3,495	3,495
Derivative contracts					
Banking	-	7,682	-	7,682	7,682
Available-for-sale financial assets					
Banking	290,957	400	44,166	335,523	335,523
Insurance	18,691	-	-	18,691	18,691
Other	12,500	-	-	12,500	12,500
Total financial assets	**322,166**	**8,082**	**47,643**	**377,890**	**377,890**

Items measured at amortised cost 31 December 2014

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets					
Investments held to maturity					
Banking	4,415	996	1,839	7,250	6,874
Loans and receivables					
Banking	-	3,119,411	-	3,119,411	3,143,299
Non-financial assets					
Investment properties					
Banking	-	-	41,482	41,482	33,772
Total assets measured at amortised cost	**4,415**	**3,120,407**	**43,321**	**3,168,142**	**3,183,944**
Financial liabilities					
Other financial liabilities					
Banking	-	3,342,884	-	3,342,884	3,354,598
Total financial liabilities measured at amortised cost	**-**	**3,342,884**	**-**	**3,342,884**	**3,354,598**

Fair value determination of financial assets and financial liabilities

Financial assets are recorded in the balance sheet either at fair value or at amortised cost. The classification and measurement of financial instruments is described in more detail in Note 2.

Fair value hierarchies

Level 1 includes financial instruments that are measured on the basis of quotations obtained from liquid markets. A market is considered as liquid quotations are regularly available. This group includes all securities with publicly quoted prices.
Level 2 includes financial instruments measured using generally approved measurement techniques or models which are based

on assumptions made on the basis of observable market prices. For example, the fair value of a financial instrument allocated to Level 2 may be based on the value derived from the market quotation of components of an instrument. This group includes interest derivatives and other instruments that are not traded in liquid markets.

Level 3 includes financial instruments and other assets that are not measured using market quotations or values determined on the basis of observable market prices using measurement techniques or models. The assumptions applied in the measurement techniques often involve insecurity. The fair value of assets allocated to Level 3 is often based on price information obtained from a third party. This group includes unlisted shares and funds and investment properties.

Transfers between fair value hierarchies

Transfers between hierarchy levels are considered to have taken place on the date of the occurrence of the event that caused the transfer or the date when the circumstances changed.

During the financial year 2015, EUR 10,099 thousand of securities have been transferred from hierarchy level 3 to hierarchy level 1. A regular public quote could not be previously obtained for the debt securities, which is why they were classified to hierarchy level 3 in the comparison period.

Changes in financial assets recurrently measured at fair value classified into level 3

Changes in financial assets measured at fair value through profit or loss classified into level 3

	2015	2014
(EUR 1,000)	Banking	Banking
Carrying amount 1 Jan.	3,477	1,644
+ Purchases	-	2,045
- Sales	-50	-212
+/- Unrealised changes in value recognised in the income statement	-44	0
Carrying amount 31 Dec.	**3,383**	**3,477**

Changes in available-for-sale financial assets classified into level 3

	2015	2014
(EUR 1,000)	Banking	Banking
Carrying amount 1 Jan.	44,166	49,764
+ Purchases	5,081	8,076
- Sales	-3,653	-8,836
- Matured during the period	-5,183	-4,965
+/- Realised changes in value recognised in income statement	118	43
+/- Unrealised changes in value recognised in income statement	30	-
+/- Changes in value recognised in comprehensive income statement	499	84
- Transfers to level 1 and 2	-10,099	-
Carrying amount 31 Dec.	**30,959**	**44,166**

Sensitivity analysis of financial instruments at level 3

Available-for-sale financial assets 31 Dec. 2015

		Possible effect on equity capital	
(EUR 1,000)	Carrying amount	Positive	Negative
Banking	31,446	3,258	-3,258
Available-for-sale financial assets total	**31,446**	**3,258**	**-3,258**

Available-for-sale financial assets 31 Dec. 2014

		Possible effect on equity capital	
(EUR 1,000)	Carrying amount	Positive	Negative
Banking	94,096	10,782	-10,782
Available-for-sale financial assets total	**94,096**	**10,782**	**-10,782**

The sensitivity of financial assets recurrently measured at fair value at level 3 has been calculated for interest rate linked investments by assuming a 1 percentage points change in interest rates and for other investments by assuming the market price of the security to change by 15%.

The POP Bank Group does not have assets measured non-recurrently at fair value.

NOTE 48.44: Pension assets and liabilities

In addition to statutory cover (TyEL), the POP Bank Group has defined benefit pension schemes for the management and persons who have been members of the OP Bank Group Pension Fund. The retirement age of those covered by these insurance policies varies from 60 to 65 years.

In the pension scheme, the amount of assets describes the part of the obligation for which the insurance company is liable, and it is calculated using the same discount rate as the liability. The assets included in the scheme include 100% acceptable insurance policies. Because the liabilities have been insured, the company is not liable for significant risks. The company remains primarily liable for increases in pensions tied to the employment pension index and the effect of changes in the discount rate and pay increases on the net liabilities.

(EUR 1,000)	2015	2014
Current service cost	141	110
Net interest	-10	7
Costs recognised in income statement	**131**	**116**
Remeasurements	1,123	-286
Comprehensive income before tax	**1,254**	**-170**
Present value of obligation 1 Jan.	19,744	18,116
Current service cost	141	110
Interest expense	283	580
Actuarial gains (-)/losses (+) arising from experiential adjustments	1,438	-319
Actuarial gains (-)/losses (+) arising from changes in economic expectations	-334	2,956
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	0	0
Benefits paid	-1,334	-1,699
Present value of obligation 31 Dec.	**19,938**	**19,744**
Fair value of plan assets 1 Jan.	20,232	17,906
Interest income	293	573
Return on plan assets excl. items in interest expense/income	-18	2,923
Benefits paid	-1,334	-1,699
Benefits paid	512	530
Fair value of plan assets 31 Dec.	**19,685**	**20,232**
Present value of obligation	19,938	19,744
Fair value of plan assets	19,685	20,232
Net liability in balance sheet/asset (-) 31 December	**253**	**-489**
Net liability in balance sheet/asset (-) 1 January	-489	210
Costs recognised in income statement	131	116
Benefits paid	-512	-530
Remeasurements in comprehensive income statement	1,123	-286
Net liability in balance sheet/asset (-) 31 December	**253**	**-489**
Actuarial assumptions		
Discount rate, %	1.90%	1.50%
Pay development, %	1.50%	1.50%
Pension increase, %	1.67%	1.39%
Inflation rate, %	1.43%	1.15%

Sensitivity analysis - net liabilities

The table below presents the effects of the assumed changes on net liabilities. In calculating the sensitivities, the other assumptions are assumed to remain unchanged.

(EUR 1,000)	2015	2014
Change of +0.5% in discount rate	-16	25
Change of -0.5% in discount rate	18	-31
Pay development +0.5%	133	107
Pay development -0.5%	-132	-107
Change of +0.5% in pension increase	1,142	1,131
Change of -0.5% in pension increase	-1,079	-1,070

Duration based on the weighted average of the obligation is 12.5 years.

The POP Bank Group expects to contribute approximately EUR 447 thousand to defined benefit plans in 2016.

The POP Bank Group has not yet made decisions regarding the potential effects of the reform of the statutory pension scheme, which has been approved by the Parliament of Finland and will come into force in 2017, on supplementary pensions.

NOTE 48.45: Operating leases

Group as lessee, future minimum lease payments

(EUR 1,000)	2015	2014
Less than one year	492	802
within 1–5 years	1,580	1,269
more than five years	1,045	1,330
Future minimum lease payments total	**3,117**	**3,401**

The POP Bank Group has primarily leased business premises and equipment used in business operations.

Group as lessor, future minimum lease payments receivable

(EUR 1,000)	2015	2014
Less than one year	427	353
within 1–5 years	86	84
more than five years	81	79
Future minimum lease payments receivable total	**594**	**516**

The POP Bank Group has leased out e.g. residential and business premises it owns.

The minimum rents payable include the minimum rents payable based on irrevocable rental agreements. The non-cancellable portion of leases in effect until further notice is the lease in accordance with the term of notice.

NOTE 48.46: Entities included in The POP Bank Group's financial statements

The structure of the POP Bank Group is described in Note 1 the POP Bank Group and the scope of the first IFRS Financial Statements.

Technical parent company

The table below presents the member banks comprising the technical parent company of the POP Bank Group and their balance sheet total (FAS).

Name of the bank	Domicile	Balance sheet 31 Dec. 2015 (EUR 1,000)	Balance sheet 31 Dec. 2014 (EUR 1,000)
Hannulan Osuuspankki	Hankasalmi	28,615	24,796
Honkajoen Osuuspankki	Honkajoki	52,179	51,156
Isojoen Osuuspankki	Isojoki	56,816	54,990
Jämijärven Osuuspankki	Jämijärvi	56,814	56,655
Kannonkosken Osuuspankki	Kannonkoski	49,529	48,538
Keuruun Osuuspankki	Keuruu	172,669	170,728
Konneveden Osuuspankki	Konnevesi	106,510	104,364
Kosken Osuuspankki	Koski Tl	169,447	168,775
Kurikan Osuuspankki	Kurikka	261,682	247,001
Kyrön Seudun Osuuspankki	Pöytyä	87,353	88,455
Kyrönmaan Osuuspankki	Isokyrö	229,673	227,919
Kyyjärven Osuuspankki	Kyyjärvi	64,423	61,403
Lammin Osuuspankki	Hämeenlinna	152,019	159,689
Lanneveden Osuuspankki	Saarijärvi	42,624	39,897
Lappajärven Osuuspankki	Lappajärvi	106,782	109,528
Lapuan Osuuspankki	Lapua	216,916	217,390
Lavian Osuuspankki	Pori	64,083	61,802
Liedon Osuuspankki	Lieto	112,929	107,441
Nivalan Järvikylän Osuuspankki	Nivala	68,462	64,302
Piikkiön Osuuspankki	Kaarina	100,819	100,215
Pohjanmaan Osuuspankki	Kauhava	432,585	411,207
Reisjärven Osuuspankki	Reisjärvi	124,449	116,655
Sievin Osuuspankki	Sievi	121,295	119,344
Siilinjärven Osuuspankki	Siilinjärvi	283,828	267,339
Suupohjan Osuuspankki	Kauhajoki	775,983	773,424
Tiistenjoen Osuuspankki	Lapua	29,865	29,243

Subsidiaries and associates consolidated in the POP Bank Group

	Domicile	Group's holding 2015	Group's holding 2014
POP Bank Alliance Coop (central institution of the Group)	Helsinki	77.9%	77.9%
Bonum Bank Ltd (wholly-owned subsidiary of POP Bank Alliance Coop)	Espoo	77.9%	77.9%
POP Banks' guarantee fund	Helsinki	78.3%	78.3%
POP Holding Ltd	Helsinki	98.0%	88.4%
Finnish P&C Insurance Ltd (wholly-owned subsidiary of POP Holding Ltd)	Espoo	98.0%	88.4%
Optium Oy	Tampere	96.7%	80.6%
Pajker AS	Audru, Estonia	67.5%	50.0%
White Beach Development AS (subsidiary of Pajker AS)	Audru, Estonia	72.5%	61.5%
Keuruun Sijoitus Oy*	Keuruu	-	100.0%
Keuruu Innovation Center Oy*	Keuruu	-	100.0%
Paikallispankkien konttorikiinteistöt Oy*	Tampere	-	100.0%

* merged with Keuruun Osuuspankki during the financial year 2015.

Joint arrangements

The Group's holdings of less than 100% in mutual real estate companies and housing companies are treated as joint operations in the POP Bank Group's financial statements. Both owner-occupied properties and investment properties are managed via the companies.

Joint arrangements consolidated in the POP Bank Group (key real estate companies)

	Group's holding 2015	Group's holding 2014
Asunto Oy Keuruun Tarhiansuu	36.9%	36.9%
Asunto Oy Tampereen Kauppakatu 14	23.9%	23.9%
Asunto Oy Tampereen Koskilehmus	23.9%	23.9%
Kiinteistö Oy Kosken Pankkitalo	53.6%	53.6%
Kiinteistö Oy Lehto-Center	41.0%	41.0%
Kiinteistö Oy Liedon Torinkulma	62.5%	62.5%
Kiinteistö Oy Riihikuiva	82.7%	82.7%
Kiinteistö Oy Siilinjärven Pankkikeskus	66.5%	66.5%

Holdings of the banks that have resigned from POP Bank Alliance Coop in the POP Bank Group

Eight cooperative banks resigned from POP Bank Alliance Coop during 2015.

The banks that resigned from POP Bank Alliance Coop hold 22.1% of the cooperative capital of POP Bank Alliance Coop. The resigned banks thereby have an indirect holding in all of the subsidiaries and associated companies of POP Bank Alliance Coop and companies owned by them. Moreover, the resigned banks are members of POP Banks' guarantee fund. The resigned banks account for 21.7% of the equity capital of POP Banks' guarantee fund.

POP Bank Alliance Coop has undertaken to refund the contributions paid by the banks that have resigned. The refund is estimated to take place during the financial year 2016. If POP Bank Alliance Coop is not able to pay the refunds of the cooperative capital, the POP Banks constituting the amalgamation of POP Banks have undertaken to pay the refund. The portion of the cooperative capital of POP Bank Alliance Coop to be refunded due to the commitment is presented as a liability on the balance sheet of the POP Bank Group. The financial rights of the resigned banks expire once the capital has been refunded.

Two cooperative banks had made the decision to resign from POP Bank Alliance Coop at the end of the comparison period on 31 December 2014. The portion of the cooperative capital of POP Bank Alliance Coop to be refunded due to the commitment is presented as a liability. The commitment to refund cooperative capital is deemed to have emerged when the cooperative meeting of the resigned bank decided to resign from POP Bank Alliance Coop. The cooperative capital attributable to the resigned banks that made the decision during 20145 is presented in non-controlling interests on 31 December 2014 and other liabilities on 31 December 2015.

Changes in holdings in subsidiaries

During the financial year 2015, POP Banks acquired the shares of POP Holding Ltd and Optium Oy held by cooperative banks that had resigned from the POP Bank Group.

The acquired holdings corresponded to 9.6% of the shares of POP Holding Ltd and 16.1% of the shares of Optium Oy. In addition, Pohjanmaan Osuuspankki's holding in Pajker AS increased by 17.5% due to ownership arrangements made in the company. During the comparison period, Pohjanmaan Osuuspankki acquired 5% of the shares of Pajker AS.

(EUR 1,000)	2015	2014
Acquisition cost of non-controlling interests	1,972	200
Acquired non-controlling interests	1,757	81
Effect of the change in holding on the capital equity of the POP Bank Group	-214	-118

Non-controlling interests in subsidiaries

The non-controlling interests of the subsidiaries of the POP Bank Group are primarily banks that have resigned from POP Bank Alliance Coop and are not members of the amalgamation of POP Banks. Following the refund of cooperative capital paid by POP Bank Alliance Coop, the non-controlling interest presented on the balance sheet of the POP Bank Group will decrease significantly in the financial year 2016. The tables below present financial information about the subsidiaries with significant non-controlling interests on the closing date.

The presented financial statements have been adjusted to comply with the POP Bank Group's accounting policies. Eliminations of items between entities consolidated in the Group have not been taken into account in the information. POP Bank Alliance Coop's wholly-owned subsidiary Bonum Bank Ltd has been consolidated in the POP Bank Alliance Coop using the acquisition method and the participation in the POP Holding group corresponding to its holding using the equity method. POP Holding Ltd's subsidiary Finnish P&C Insurance Ltd has been consolidated in the POP Holding group. Inter-group items of these groups have been eliminated.

The share of cooperative capital refunded to banks that have resigned from POP Bank Alliance Coop is not presented on the balance sheet as non-controlling interest. The amount to be refunded, EUR 4,968 thousand (2,267), is presented under other liabilities as the POP Bank Group is subject to an irrevocable commitment to refund the cooperative capital.

Name of the company	Non-controlling interests 2015	Non-controlling interests 2014	Profit or loss attributable to non-controlling interests 2015	Profit or loss attributable to non-controlling interests 2014	Capital equity attributable to non-controlling interests 2015	Capital equity attributable to non-controlling interests 2014
POP Banks' guarantee fund	21.7%	21.7%	-2	12	2,771	2,800
POP Bank Alliance group	22.1%	22.1%	-145	-89	-267	2,553
POP Holding group	2.0%	11.6%	-109	-1,133	182	1,681

Balance sheet in summary 31 December 2015

(EUR 1,000)	POP Banks' guarantee fund	POP Bank Alliance group	POP Holding group
Cash and receivables	50	251,242	3,810
Investments	12,818	172,086	-
Other assets	26	5,926	9,164
Total assets	**12,894**	**429,254**	**12,974**
Liabilities	136	412,911	41,560
Net assets	**12,758**	**16,343**	**9,024**
Net assets attributable to non-controlling interests	2,771	-267	182
Cash and cash equivalents at period-start	526	9,898	1,834
Cash and cash equivalents at the end of the period	50	196,392	3,810

Income statement in summary 31 December 2015

(EUR 1,000)	POP Banks' guarantee fund	POP Bank Alliance group	POP Holding group
Operating income	169	10,588	5,188
Operating expenses	-162	-10,580	-10,538
Profit for the financial year	-7	-657	-5,404
Other comprehensive income	-126	-88	-49
Comprehensive income for the financial year	-133	-745	-5,453
Earnings for the financial period attributable to non-controlling interests	-2	-145	-109
Comprehensive income attributable to non-controlling interests	-29	-164	-110

Balance sheet in summary 31 December 2014

(EUR 1,000)	POP Banks' guarantee fund	POP Bank Alliance group	POP Holding group
Cash and receivables	526	19,678	1,834
Investments	12,475	2,279	-
Other assets	56	4,313	9,822
Total assets	**13,057**	**26,270**	**11,656**
Liabilities	165	6,688	28,982
Net assets	**12,892**	**19,582**	**14,477**
Net assets attributable to non-controlling interests	2,800	2,553	1,681
Cash and cash equivalents at period-start	408	3,986	1,845
Cash and cash equivalents at the end of the period	526	9,898	1,834

Income statement in summary 31 December 2014

(EUR 1,000)	POP Banks' guarantee fund	POP Bank Alliance group	POP Holding group
Operating income	330	5,695	1,239
Operating expenses	-309	-5,862	-10,984
Profit for the financial year	55	-404	-9,756
Other comprehensive income	632	-13	-184
Comprehensive income for the financial year	687	-417	-9,940
Earnings for the financial period attributable to non-controlling interests	12	-89	-1,133
Comprehensive income attributable to non-controlling interests	149	-92	-1,154

The sphere of influence of the POP Bank Group does not include entities considered structured entities.

Significant restrictions

POP Banks' guarantee fund is associated with significant restrictions concerning the right of POP Banks to have access to the assets of the guarantee fund. The assets of the guarantee fund can only be used for the purposes specified in the rules of the fund. The guarantee fund capital of POP Banks' guarantee fund has been recognised in other reserves in the Group's equity capital. The retained earnings of the guarantee fund are included in the Group's retained earnings.

The purpose of POP Banks' guarantee fund has been to ensure the operating stability of its member banks. The operation of the guarantee fund is not intended to be continued after the establishment of the amalgamation of deposit banks, and the Board of Directors of the guarantee fund decided on 15 December 2015 to engage in preparations for the dissolution of the guarantee fund. Upon the dissolution of the guarantee fund, the assets of the fund will be refunded to its member banks. The share of the banks included in the amalgamation of POP Banks of the equity capital of the guarantee fund on 31 December 2015 is EUR 9,987 thousand. The equity capital of the guarantee fund is EUR 12,758 thousand. Equity capital has been calculated in accordance with the accounting policies applied in the Group's financial statements.

NOTE 48.47: Related party disclosures

The related parties of the POP Bank Group include the members of the Supervisory Board and Board of Directors of POP Bank Alliance Coop and their close relatives. Related parties also include the managing director and deputy managing director of POP Bank Alliance Coop. Related parties also include companies over which the above-mentioned persons exercise control.

Transactions with key persons in management and other related parties are presented below. Key persons in management include members of the Supervisory Board and the Board of Directors and the managing director and deputy managing director of POP Bank Alliance Coop.

Related-party transactions

	Key persons in management		Other	
(EUR 1,000)	2015	2014	2015	2014
Assets				
Loans	2,622	2,719	924	880
Liabilities				
Deposits	1,620	2,359	352	367
Off-balance-sheet commitments				
Loan commitments	47	40	1	1
Guarantees	504	464	342	98
Income and expenses				
Interest income	28	38	12	11
Interest expenses	17	22	2	2
Insurance premium revenue	17	20	3	2

Compensation to key persons in management

(EUR 1,000)	2015	2014
Short-term employee benefits	2,441	2,095
Post-employment benefits	44	34
Total compensation to key persons in management	**2,486**	**2,129**

NOTE 48.48: Events after the balance sheet date

POP Banks sold all of the shares in its wholly-owned investment service company Optium Oy to UB Asset Management Ltd on 8 February 2016. The share transaction will not have a significant effect on the earnings for 2016.

NOTE 48.49: Transition to IFRS

The POP Bank Group is a new legal entity formed when the amalgamation of POP Banks started operations on 31 December 2015. The Group has not previously prepared consolidated financial statements. More details on the formation of the Group are provided in Note 48.6.

The IFRS financial statements have been prepared by consolidating the separate financial statements of the companies included in the POP Bank Group prepared pursuant to the national accounting and financial statement standards so that inter-company items have been eliminated. The balance sheet and income statement items have been adjusted to be presented in accordance with IFRS. The member cooperative banks have applied IAS 39 Financial Instruments: Recognition and Measurement in accordance with the Financial Supervisory Authority's regulation 1/2013 on the accounting, financial statement and Board of Directors' report in the financial sector. Of the member credit institutions, Bonum Bank Ltd has prepared its financial statements in accordance with IFRS for the first time on 31 December 2015.

Because the POP Bank Group has not previously prepared consolidated financial statements, it is not possible to present a reconciliation between the FAS and IFRS balance sheets.

The POP Bank Group's balance sheet 1 January 2014 and 31 December 2014

(EUR 1,000)	Reference	1 Jan. 2014	31 Dec. 2014
Assets			
Liquid assets		12,692	12,959
Financial assets at fair value through profit or loss		1,998	3,495
Loans and receivables from credit institutions		383,320	411,453
Loans and advances to customers	a)	2,907,100	2,926,485
Derivative contracts	b)	8,738	7,682
Investment assets	c)	329,288	388,668
Non-life insurance assets	d)	20,031	31,803
Intangible assets	e)	11,668	14,822
Property, plant and equipment	f)	44,859	42,400
Other assets		16,814	16,185
Tax assets	g)	2,549	2,574
Total assets		**3,739,057**	**3,858,523**
Liabilities			
Liabilities to credit institutions		22,869	4,938
Liabilities to customers		3,130,371	3,247,611
Non-life insurance liabilities		14,030	23,519
Debt securities issued to the public		24,295	24,361
Subordinated liabilities		4,931	2,223
Cooperative and supplementary cooperative capital	h)	85,310	83,703
Other liabilities	i)	47,814	50,701
Tax liabilities	g)	25,419	26,923
Total liabilities		**3,355,040**	**3,463,980**
Equity capital			
Reserves		145,340	150,381
Retained earnings	k)	230,764	235,558
Total equity attributable to the owners of the POP Bank Group		**376,105**	**385,939**
Non-controlling interests		7,912	8,604
Total equity capital		**384,016**	**394,543**
Total liabilities and equity capital		**3,739,057**	**3,858,523**

Income statement 1 January–31 December 2014

(EUR 1,000)	Reference	2014
Interest income		80,690
Interest expenses	h)	-19,699
Net interest income		**60,991**
Net commissions and fees		26,970
Net trading income		434
Net investment income	c)	8,712
Net income from non-life insurance	d)	1,361
Other operating income		2,440
Total operating income		**100,908**
Personnel expenses	i)	-36,502
Other operating expenses	e)	-42,535
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-4,791
Total operating expenses		**-83,827**
Impairment losses on loans and receivables	a)	-4,331
Earnings before tax		**12,750**
Income taxes	g)	-5,272
Profit for the financial year		**7,478**
Of which		
Attributable to the owners of the POP Bank Group		8,708
Non-controlling interests		-1,231
Total		**7,478**

Statement of comprehensive income

(EUR 1,000)	Reference	2014
Profit for the financial year		7,478
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans	i)	228
Items that may be reclassified to profit or loss		
Changes in fair value reserve		
Available-for-sale financial assets	d)	2,889
Cash flow hedge		-70
Comprehensive income for the financial year		**10,525**

Comprehensive income for the financial year attributable to		
Comprehensive income for the financial year attributable to owners of the POP Bank Group		11,781
Comprehensive income for the financial year attributable to non-controlling interests		-1,256
Total comprehensive income for the financial year		**10,525**

Effect of the application of IFRS on the financial statements of the POP Bank Group in the opening balance sheet of additional financial information 1 January 2014 and comparison period 1 January–31 December 2014

The accounting policies presented in Note 48.7 of additional financial information were applied in preparing the additional financial information.

The most significant adjustments related to the application of IFRS to the opening balance sheet on 1 January 2014 and the comparison period's balance sheet 31 December 2014 are presented below.

a) Loans and receivables

Collective impairment losses have not been recognised in the FAS financial statements of POP Banks as the groups comprised of receivables are very small per bank. However, collective impairment losses have been assessed in accordance with IAS 39 Financial Instruments: Recognition and Measurement at the level of the POP Bank Group and recognised as an adjustment of a total of EUR 2,477 thousand to decrease loans and receivables in the opening balance sheet 1 January 2014. A change of EUR -51 thousand was recognised for the financial year 1 January–31 December 2014. The amount of collective impairment on 31 December 2014 was EUR 2,426 thousand on 31 December 2014.

Collective impairment losses decreased the earnings on the opening balance sheet by EUR 1,982 thousand and by EUR 1,941 thousand on the balance sheet at 31 December 2014. The earnings for the financial year 1 January–31 December 2014 decreased by EUR 41 thousand.

b) Derivative contracts

Counterparty risk (CVA) was taken into consideration in the measurement of derivative contracts in accordance with IFRS 13 Fair Value Measurement. The measurement result decreased the value of the derivative contracts on 1 January 2014 by a total of EUR 738 thousand. The adjustment decreased the value of the derivative contracts on the balance sheet of 31 December 2014 by EUR 557 thousand.

c) Investment assets

In accordance with IAS 40 Investment property, the acquisition costs of investment properties have been adjusted to comply with IAS 16 Property, Plant and Equipment. As the result of adjustments to value increases concerning investment property, the balance sheet value of investment property on 1 January 2014 decreased by EUR 1,336 thousand.

Fair value measurements made to the financial assets of POP Banks' guarantee fund in accordance with IAS 39 Financial Instruments: Recognition and Measurement increased the balance sheet value of investment property on 1 January 2014 by a total of EUR 116 thousand. Fair value measurement increased the value of investment assets on the balance sheet of 31 December 2014 by EUR 737 thousand and increased the comprehensive income for the financial year by EUR 632 thousand.

d) Non-life insurance assets

The classification and measurement of non-life insurance investment property in accordance with IAS 39 increased the non-life insurance assets on the opening balance sheet on 1 January 2014 by EUR 10 thousand. Measurement on 31 December 2014 decreased the non-life insurance assets by EUR 219 thousand and decreased the comprehensive income for the financial year by EUR 183 thousand.

e) Intangible assets

The intangible assets acquired by the POP Bank Group are information systems implemented by the POP Bank group's partners, over which the Group has control as referred to in IAS 38 Intangible assets. The most important of these partners is Samlink Ltd. Under FAS, development costs of information systems were recognised in the income statement. Under IAS 38, they must be capitalised. The most significant adjusted intangible assets consist of systems used for retail banking, central bank services and card business.

Due to adjustments to intangible assets acquired by the POP Bank Group, the balance sheet value of intangible assets on the opening balance sheet increased by EUR 2,059 thousand.

Increases of EUR 2,742 thousand in intangible assets were capitalised during the financial year 1 January–31 December 2014 in accordance with IAS 38. A total of EUR 397 of depreciation was recognised on intangible assets. Earnings before tax improved by a total of EUR 2,344 thousand. The balance sheet value of intangible assets on 31 December 2014 increased by a total of EUR 4,153 thousand.

Bonum Bank has Ltd undertaken to refund the amounts collected for the development of information systems for central bank activities and card business from the co-operative banks that have resigned from POP Bank Alliance Coop. The amounts will be refunded insofar as the banks will not use these services after their withdrawal from the information systems used by the POP Bank group. These commitments increased the other liabilities on the balance sheet on 31 December 2014 by EUR 243 thousand. The liability is estimated to fall due in 2016.

f) Property, plant and equipment

The acquisition costs of property, plant and equipment have been adjusted to comply with IAS 16 Property, Plant and Equipment. As the result of adjustments to value increases concerning real property, the balance sheet value of property, plant and equipment on 1 January 2014 decreased by EUR 2,982 thousand.

The consolidation of joint arrangements increased the balance sheet value of property, plant and equipment on 31 December 2014 by a total of EUR 6,395 thousand.

g) Deferred taxes

The transition to IFRS increased the deferred tax assets and liabilities. The changes to the opening balance sheet 1 January 2014 and the balance sheet for the comparison year 31 December 2014 and the taxes for the financial year 1 January–31 December 2014 are presented below.

h) Cooperative capital

The classification of the cooperative capital and supplementary cooperative capital of the member cooperative banks included in the POP Bank Group in accordance with IAS 32 Financial Instruments: Presentation decreased the cooperative capital on the

Deferred tax assets

(EUR 1,000)	1 Jan. 2014	31 Dec. 2014
Employee benefits	42	-
Financial instruments	147	170
Collective impairment	495	485
Advances received	-	48
Intangible assets	-	204
Total deferred tax assets	**685**	**907**

Deferred tax liabilities

(EUR 1,000)	1 Jan. 2014	31 Dec. 2014
Employee benefits	-	98
Financial instruments	25	162
Intangible assets	412	1,034
Total deferred tax liabilities	**437**	**1,294**

Taxes for the financial year

(EUR 1,000)	1 January–31 December 2014
Employee benefits	-83
Financial instruments	-2
Collective impairment	-10
Advances received	48
Intangible assets	-419
Taxes for the financial year total	**-466**

opening balance sheet 1 January 2014 by a total of EUR 85,310 thousand and correspondingly increased liabilities by EUR 85,310 thousand. Interest paid on cooperative capital classified as a liability and surplus refunds paid as POP Bonuses EUR 1,574 thousand were recognised as a liability and decrease in earnings.

The cooperative and supplementary cooperative capital adjusted as liability totalled EUR 83,703 thousand on 31 December 2014. The interest expense recognised over the financial year 1 January–31 December 2014 amounted to EUR 1,404 thousand, and it was recognised as an interest expense and accrued liability. The surplus refunds paid as POP Bonuses, EUR 145 thousand, were adjusted as an increase in other operating expenses and accrued liability.

i) Employee benefits

The POP Bank Group has supplementary pension schemes interpreted as defined benefit schemes, and they have been treated in accordance with IAS 19 Employee Benefits. The present value of the plan obligations on the closing date less the fair value of plan assets is presented as a liability in the IFRS financial statements. The pension liability recognised on the balance sheet of the POP Bank Group on 1 January 2014 was EUR 210 thousand.

The personnel expenses of EUR 413 thousand in the income statement for the financial year 1 January–31 December 2014 were adjusted down to correspond to the accrual of the expenses incurred due to defined benefit pension plans. A gain of EUR 285 thousand from the remeasurement of defined benefit pension plans was recognised in the comprehensive income for the financial year. The earnings for the financial year improved by a total of EUR 331,000 and capital equity increased by EUR 391 thousand. An asset item of EUR 550 thousand was recognised on the balance sheet of the POP Bank Group on 31 December 2014.

j) Consolidated entities

The consolidated financial statements of the group comprised of Pohjanmaan Osuuspankki's Estonian subsidiary Pajker AS, engaged in the golf business, and White Beach Development AS were consolidated in the IFRS financial statements of the POP Bank Group. In addition, 8 real estate entities were consolidated as joint arrangements in accordance with IFRS 11 Joint Arrangements using proportionate consolidation.

The consolidation of Pajker Group decreased the balance sheet value of investment assets on 31 December 2014 by EUR 3,418 thousand and increased the balance sheet value of property, plant and equipment by EUR 2,116 thousand. The effect of the consolidation of Pajker Group on the POP Bank Group's capital equity on 31 December 2014 was EUR -3,280 thousand. The effect of consolidation on the earnings for the financial year 1 January–31 December 2014 was EUR +172 thousand.

The consolidation of joint arrangements increased the investment property and property, plant and equipment on the balance sheet on 31 December 2014 by a total of EUR 570 thousand. The effect of the consolidation on the POP Bank Group's capital equity on 31 December 2014 was EUR -1,785 thousand.

k) Equity capital

The effect of the adoption of IFRS on the POP Bank Group's capital equity is presented below.

(EUR 1,000)	1 Jan. 2014	31 Dec. 2014
Reclassification of cooperative capital and supplementary cooperative capital from cooperative capital to liabilities	-85,310	-83,703
Adjustment of interest accrued on cooperative capital and supplementary cooperative capital from retained earnings	-1,574	-1,550
Adjustment of collective impairment losses on loans and receivables	-1,982	-1,941
Adjustments of value increases from investment property	-1,336	-1,336
Adjustments of value increases from property, plant and equipment	-2,982	-2,982
Employee benefits	-168	391
Adjustments to intangible assets	1,647	3,380
Adjustments to measurements of financial instruments	-489	-31
Consolidation of Pajker Group	-3,242	-3,280
Consolidation of real estate entities as joint arrangements	-1,798	-1,785
Total change in capital equity	**-97,234**	**-92,836**

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 48.6.

Information pursuant to the EU's Capital Requirements Regulation No 575/2013 about the capital adequacy of the amalgamation of POP Banks is presented in Notes 48.50–48.64 (Pillar III disclosures). The information is based on the capital adequacy of the amalgamation of POP Banks, so the presented information is not directly comparable with the other figures pertaining to the POP Bank Group presented in the balance sheet.

Pillar III disclosure requirements are also presented in Note 48.9.9 on risk and capital adequacy management and Note 48.8 on governance and management systems. The disclosure requirements concerning remuneration are presented in Note 48.8 on governance and management systems and Note 48.17 on employee expenses.

The amalgamation of POP Banks does not publish information about counterparty risk pursuant to article 439 of the EU's Capital Requirements Regulation. The Board of Directors of the central institution has considered in its materiality assessment that information concerning counterparty risk 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.

NOTE 48.50: Summary of capital adequacy

(EUR 1,000)	2015	2014
Own funds		
Common Equity Tier 1 capital before deductions	461,631	438,967
Deductions from Common Equity Tier 1 capital	-6,089	-4,686
Total Common Equity Tier 1 capital (CET1)	**455,542**	**434,281**
Additional Tier 1 capital before deductions	10,545	8,068
Deductions from Additional Tier 1 capital	0	0
Additional Tier 1 capital (AT1)	**10,545**	**8,068**
Tier 1 capital (T1 = CET1 + AT1)	**466,087**	**442,349**
Tier 2 capital before deductions	3,164	4,199
Deductions from Tier 2 capital	0	0
Total Tier 2 capital (T2)	**3,164**	**4,199**
Total capital (TC = T1 + T2)	**469,251**	**446,548**
Total capital requirement	**180,228**	**181,547**
of which the share of credit risk	163,067	164,085
of which the share of credit valuation adjustment risk (CVA)	288	487
of which the share of market risk (exchange rate risk)	1,991	2,333
of which the share of operational risk	14,882	14,642
Fixed additional capital buffer according to the Act on Credit Institutions (2.5%)	**56,321**	**56,734**
Common Equity Tier 1 capital (CET1) in relation to risk-weighted items (%)	20.2%	19.1%
Tier 1 capital (T1) in relation to risk-weighted items (%)	20.7%	19.5%
Total Capital (TC) in relation to risk-weighted items (%)	20.8%	19.7%
Leverage ratio		
Tier 1 capital (T1)	466,087	442,349
Total exposures	4,283,948	4,009,672
Leverage ratio, %	10.9%	11.0%

NOTE 48.51: Own funds by class

	(EUR 1,000)	(A) Amount at disclosure date bank	(B) Regulation (EU) n:o 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 capital (CET1): instruments and reserves			
1	Capital instruments and the related share premium accounts	26,572	Article 26(1), Articles 27, 28 and 29, the EBA's list Article 26(3)	-
	of which: cooperative capital	8,668		-
	of which: POP Shares	17,904		-
2	Retained earnings	253,799	Article 26(1)(c)	-
3	Accumulated items of other comprehensive income (and other reserves, also covers unrealised profits and losses pursuant to applicable financial reporting standards)	146,110	Article 26(1)	-
3a	Fund for general banking risk		Article 26(1)(f)	-
4	The amount of qualified items referred to in Article 484(3) and the related share premium accounts that are gradually eliminated from CET1	35,151	Article 483(2)	15,065
	Public sector capital investments that are permitted to continue until 1 January 2018	-	Article 483(2)	-
5	Minority interests (amount that may be included in the consolidated Common Equity Tier 1 capital (CET1))	-	Articles 84, 479 and 480	-
5a	Profits accumulated in the interim financial period, confirmed by an independent party, from which all foreseeable costs or dividends have been deducted	-	Article 26(2)	-
6	Common Equity Tier 1 capital (CET1) before statutory adjustments	461,631		15,065
	Common Equity Tier 1 capital (CET1): statutory adjustments			
7	Other value adjustments (negative amount)	-	Article 34, Article 105	-
8	Intangible assets (from which the related tax liabilities have been deducted) (a negative amount)	-6,089	Article 36(1)(b), Article 37, Article 472(4)	-

10	Deferred tax assets that rely on future profitability, excluding those that arise as a result of temporary differences (from which the related tax liabilities have been deducted, provided the conditions of Article 38(3) are met) (a negative amount)	-	Article 36(1)(c), Article 38, Article 472(5)	-
11	Items in the fair value reserves related to gains or losses on cash flow hedges	-	Article 33(1)(a)	-
12	Negative amounts resulting from the calculation of expected loss amounts	-	Article 36(1)(d), Article 40, Article 159, Article 472(6)	-
13	Any increase in its equity that results from securitised assets (a negative amount)	-	Article 32(1)	-
14	Gains or losses on liabilities that are valued at fair value that result from changes in the own credit standing of the institution	-	Article 33(b)	-
15	Defined benefit pension fund assets (a negative amount)	-	Article 36(1)(e), Article 41, Article 472(7)	-
16	Direct and indirect holdings by an institution of own Common Equity Tier 1 (CET1) instruments (a negative amount)	-	Article 36(1)(f), Article 42, Article 472(8)	-
17	Holdings of the Common Equity Tier 1 (CET1) instruments of financial sector entities where those entities have a reciprocal cross holding with the institution that are considered to have been designed to inflate artificially the own funds of the institution (a negative amount)	-	Article 36(1)(g), Article 44, Article 472(9)	-
18	Direct and indirect holdings by the institution of Common Equity Tier 1 (CET1) instruments of financial sector entities where the institution does not have a significant investment in those entities (the amount that exceeds the threshold value of 10% and from which acceptable short positions have been deducted) (a negative amount)	-	Article 36(1)(h), Articles 43, 45 and 46, Article 49(2 and 3), Article 79, Article 472(10)	-
19	Direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 (CET1) instruments of financial sector entities where the institution has a significant investment in those entities (the amount that exceeds the threshold value of 10% and from which acceptable short positions have been deducted) (a negative amount)	-	Article 36(1)(i), Articles 43, 45 and 47, Article 48(1)(b), Article 49(1–3), Articles 79 and 470, Article 472(11)	-
21	Deferred tax assets that arise from temporary differences (the amount that exceeds the threshold value of 10% and from which the associated tax liabilities have been deducted, provided the conditions of Article 38(3) are met (a negative amount)	-	Article 36(1)(c), Article 38, Article 48(1)(a), Article 470, Article 472(5)	-

22	The amount that exceeds the threshold value of 15% (a negative amount)		Article 48(1)	
23	of which: the direct and indirect holdings by the institution of the Common Equity Tier 1 (CET1) instruments of financial sector entities where the institution has a significant investment in those entities		Article 36(1)(i), Article 48(1)(b) Article 470, Article 472(11)	
26	Statutory adjustments to Common Equity Tier 1 capital (CET1) concerning the amount to which the treatment prior to the Solvency Regulation is applied	-		-
26a	Statutory adjustments related to unrealised gains and losses in accordance with Articles 467 and 468	-		-
	of which: unrealised loss filter 1	-	Article 467	-
	of which: unrealised gain filter 1	-	Article 468	-
26b	The amount required to be deducted from or added to Common Equity Tier 1 capital (CET1) due to the additional filters and deductions that were required prior to the Solvency Regulation	-	Article 481	-
27	The amount of items required to be deducted from Additional Tier 1 (AT1) items that exceed the Additional Tier 1 capital (AT1) of the institution (a negative amount)	-	Article 36(1)(j)	-
28	Total statutory adjustments to Common Equity Tier 1 capital (CET1)	-6,089		-
29	Common Equity Tier 1 capital (CET1)	455,542		15,065
	Additional Tier 1 capital (AT1): instruments			
30	Capital instruments and the related share premium accounts	-	Articles 51 and 52	-
31	of which: classified as equity in accordance with the applicable financial reporting standards	-		-
32	of which: classified as liabilities in accordance with the applicable financial reporting standards	-		-
33	The amount of qualified items referred to in Article 484(4) and the related share premium accounts that are gradually eliminated from AT1	10,545	Article 486(3)	4,519
	Public sector capital investments that are permitted to continue until 1 January 2018	-	Article 486(3)	-
34	Qualifying Tier 1 capital (T1) issued by subsidiaries and held by third parties that is included in consolidated Additional Tier 1 capital (AT1) (including minority interests that were not included in row 5)	-	Articles 85, 86 and 480	-
35	of which: instruments issued by subsidiaries that are gradually eliminated	-	Article 486(3)	-
36	Additional Tier 1 capital (AT1) before statutory adjustments:	10,545		4,519

	Additional Tier 1 capital (AT1): statutory adjustments			
37	Direct and indirect holdings by the institution of own Additional Tier 1 capital (AT1) instruments (a negative amount)	-	Article 52(1)(b), Article 56(a), Article 57, Article 475(2)	-
38	Holdings of the Additional Tier 1 (AT1) instruments of financial sector entities with which the institution has reciprocal cross holdings that are considered to have been designed to inflate artificially the own funds of the institution (a negative amount)	-	Article 56(b), Article 58, Article 475(3)	-
39	Direct and indirect holdings by the institution of the Additional Tier 1 (AT1) instruments of financial sector entities where the institution does not have a significant investment in those entities (the amount that exceeds the threshold value of 10% and from which acceptable short positions have been deducted) (a negative amount)	-	Article 56(c), Articles 59, 60 and 79, Article 475(4)	-
40	Direct and indirect holdings by the institution of the Additional Tier 1 (AT1) instruments of financial sector entities where the institution has a significant investment in those entities (the amount that exceeds the threshold value of 10% and from which acceptable short positions have been deducted) (a negative amount)	-	Article 56(d), Articles 59, 60 and 79, Article 475(4)	-
41	Statutory adjustments to Additional Tier 1 capital (AT1) concerning amounts to which the treatment prior to the Solvency Regulation and the treatment of the transitional period are applied before they are eliminated in accordance with Regulation (EU) No 575/2013 (i.e. residual amounts in accordance with the Solvency Regulation)	-		-
41a	Residual amounts required to be deducted from Additional Tier 1 capital (AT1) that are associated with the deductions made from Common Equity Tier 1 capital during the transitional period in accordance with Article 472 of Regulation (EU) No 575/2013	-	Article 472, Article 472(3)(a), Article 472(4 and 6), Article 472(8)(a), Article 472(9), Article 472(10)(a), Article 472(11)(a)	-
41b	Residual amounts required to be deducted from Additional Tier 1 capital (AT1) that are associated with the deductions made from Tier 2 capital (T2) during the transitional period in accordance with Article 475 of Regulation (EU) No 575/2013	-	Article 477, Article 477(3), Article 477(4)(a)	-
41c	The amount required to be deducted from or added to Additional Tier 1 capital (AT1) due to the additional filters and deductions that were required prior to the Solvency Regulation	-	Articles 467, 468 and 481	-
42	The amount of items required to be deducted from Tier 2 (T2) items that exceed the Tier 2 capital (T2) of the institution (a negative amount)	-	Article 56(e)	-
43	Total statutory adjustments to Additional Tier 1 capital (AT1)	-		-
44	Additional Tier 1 capital (AT1)	10,545		4,519

45	Tier 1 capital (T1=CET1+AT1)	466,087		19,584
	Tier 2 capital (T2): Instruments and provisions			
46	Capital instruments and the related share premium accounts	-	Articles 62 and 63	-
47	The amount of items meeting the conditions referred to in Article 484(5) and the associated share premium accounts that are gradually eliminated from T2	3,164	Article 486(4)	1,356
	Public sector capital investments that are permitted to continue until 1 January 2018	-	Article 483(4)	-
48	Qualifying own funds instruments issued by subsidiaries and held by third parties that are included in consolidated Tier 2 capital (T2) (including minority interests and Additional Tier 1 capital (AT1) instruments that are not included in row 5 or 34)	-	Articles 87, 88 and 480	-
49	of which: instruments issued by subsidiaries that are gradually eliminated	-	Article 486(4)	-
50	Credit risk adjustments	-	Article 62(c and d)	-
51	Tier 2 capital (T2) before statutory adjustments	3,164		1,356
	Tier 2 capital (T2): statutory adjustments			
52	The direct and indirect holdings by the institution of own Tier 2 (T2) instruments and subordinated loans (a negative amount)	-	Article 63(b)(i), Article 66(a), Article 67, Article 477(2)	-
53	Holdings of the Tier 2 (T2) instruments and subordinated loans of financial sector entities with which the institution has reciprocal cross holdings that are considered to have been designed to inflate artificially the own funds of the institution (a negative amount)	-	Article 66(b), Article 68, Article 477(3)	-
54	Direct and indirect holdings by the institution of the Tier 2 (T2) instruments and subordinated loans of financial sector entities, where an institution does not have a significant investment in those entities (the amount that exceeds the threshold value of 10% and from which acceptable short positions have been deducted) (a negative amount)	-	Article 66(c), Articles 69, 70 and 79, Article 477(4)	-
54a	Of which new holdings to which the transitional arrangement is not applied	-		-
54b	Of which holdings that already existed before 1 January 2013 and to which the transitional arrangement is applied.	-		-
55	Direct and indirect holdings by the institution of the Tier 2 (T2) instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (the amount from which acceptable short positions have been deducted) (a negative amount)	-	Article 66(d), Articles 69 and 79, Article 477(4)	-

56	Statutory adjustments to Tier 2 capital (T2) concerning amounts to which the treatment prior to the Solvency Regulation and the treatment of the transitional period are applied before they are eliminated in accordance with Regulation (EU) No 575/2013 (i.e. residual amounts in accordance with the Solvency Regulation)	-		-
56a	Residual amounts required to be deducted from the Tier 2 capital (T2) that are associated with the deductions made from the Common Equity Tier 1 capital during the transitional period in accordance with Article 472 of Regulation (EU) No 575/2013	-	Article 472, Article 472(3)(a), Article 472(4 and 6), Article 472(8)(a), Article 472(9), Article 472(10)(a), Article 472(11)(a)	-
	of which items to be specified by rows, e.g. material net losses accumulated in the interim financial period, intangible assets, inadequate provisions for expected losses, etc.	-		-
56b	Residual amounts required to be deducted from the Tier 2 capital (T2) that are associated with the deductions made from the Additional Tier 1 capital (AT1) during the transitional period in accordance with Article 475 of Regulation (EU) No 575/2013	-	Article 475, Article 475(2)(a), Article 475(3), Article 475(4)(a)	-
	Of which items to be specified by rows, e.g. reciprocal cross holdings of the Additional Tier 1 capital (AT1), direct holdings by the institution of the capital of other financial sector entities where the institution does not have a significant investment in those entities, etc.	-		-
56c	The amount required to be deducted from or added to Tier 2 capital (T2) due to the additional filters and deductions that were required prior to the Solvency Regulation	-	Articles 467, 468 and 481	-
57	Total statutory adjustments to Tier 2 capital (T2)	-		-
58	Tier 2 capital (T2)	3,164		1,356
59	Total Capital (TC=T1+T2)	469,251		20,940
59a	Risk-weighted assets concerning amounts to which the treatment prior to the Solvency Regulation and the treatment of the transitional period are applied before they are eliminated in accordance with Regulation (EU) No 575/2013 (i.e. residual amounts in accordance with the Solvency Regulation)	-		-

60	Total risk-weighted assets	2,252,853		-
	Capital ratios and buffers			
61	Common Equity Tier 1 capital (CET1) (as a percentage of the total risk exposure amount)	20.2%	Article 92(2)(a), Article 465	
62	Tier 1 capital (T1) (as a percentage of the total risk exposure amount)	20.7%	Article 92(2)(b), Article 465	
63	Total Capital (as a percentage of the total risk exposure amount)	20.8%	Article 92(2)(c)	
	Capital ratios and buffers			
72	Direct and indirect holdings by the institution of the capital of financial sector entities where the institution does not have a significant investment in those entities (the amount which is lower than the threshold value of 10% and from which acceptable short positions have been deducted)	15,619	Article 36(1)(h), Articles 45 and 46, Article 56(c), Articles 59 and 60, Article 66(c), Articles 69 and 70	-
73	Direct and indirect holdings by the institution of the Common Equity Tier 1 (CET1) instruments of financial sector entities where the institution has a significant investment in those entities (the amount that is lower than the threshold value of 10% and from which acceptable short positions have been deducted)	32,493	Article 36(1)(i), Articles 45 and 48	-
	Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in the Tier 2 capital (T2) in respect of exposures subject to standardised approach is applied (prior to the application of the cap)	-	Article 62	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	Article 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	35,151	Article 484(3), Article 486(2 and 5)	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	15,065	Article 484(3), Article 486(2 and 5)	-
82	Current cap on AT1 instruments subject to phase out arrangements	10,545	Article 484(4), Article 486(3 and 5)	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	4,519	Article 484(4), Article 486(3 and 5)	-

84	Current cap on T2 instruments subject to phase out arrangements	3,164	Article 484(5), Article 486(4 and 5)	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	1,356	Article 484(5), Article 486(4 and 5)	-

NOTE 48.52: 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)	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)	48.9	8.7	17.9
9	Nominal amount of the instrument	58.2	8.9	17.9
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

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 Cooperative on conditions laid down in the above-mentioned 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 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
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 48.53: Capital requirement

Credit and counterparty risk

(EUR 1,000)	2015	2014
Exposure class	**Capital requirement**	**Capital requirement**
Exposures to central governments or central banks	112	-
Exposures to regional governments or local authorities	15	18
Exposures to public sector entities	72	8
Exposures to institutions	3,360	7,603
Exposures to corporates	47,448	46,483
Retail exposures	26,902	27,043
Exposures secured by mortgages on immovable property	54,687	53,818
Exposures in default	2,223	2,630
Exposures associated with particularly high risk	220	195
Exposures in the form of covered bonds	378	10
Exposures in the form of units or shares in collective investment undertakings (CIUs)	11,702	8,564
Equity exposures	9,317	10,700
Other items	6,629	7,011
Total credit exposure	**163,067**	**164,085**
Credit valuation adjustment risk (CVA)	288	487
Market risk (exchange rate risk)	1,991	2,333
Operational risk	14,882	14,642
Total capital requirement	**180,228**	**181,547**

NOTE 48.54: Average value of total exposures during the financial period by exposure class

Credit and counterparty risk

Exposure class (EUR 1,000)	2015	2014
Exposures to central governments or central banks	131,563	25,024
Exposures to regional governments or local authorities	7,006	3,295
Exposures to public sector entities	500	-
Exposures to international organisations	145	-
Exposures to institutions	418,605	447,002
Exposures to corporates	630,311	635,731
Retail exposures	464,842	581,319
Exposures secured by mortgages on immovable property	1,963,754	1,911,977
Exposures in default	32,723	41,913
Exposures associated with particularly high risk	1,622	1,256
Exposures in the form of covered bonds	2,104	2,031
Exposures in the form of units or shares in collective investment undertakings (CIUs)	216,373	143,936
Equity exposures	71,334	75,531
Other items	88,985	102,467
Total	**4,029,867**	**3,971,483**

NOTE 48.55: Total exposure by risk weight

Credit and counterparty risk

Risk weight (%) (EUR 1,000)	2015	2014
0	328,552	227,569
10	47,549	10,061
20	230,661	460,295
35	1,974,271	1,904,730
50	33,647	36,037
75	686,746	474,591
100	941,792	847,465
150	24,284	23,963
250	33,051	38,822
350	34	-
Total	**4,300,587**	**4,023,533**

NOTE 48.56: Distribution of maturities of total exposure by exposure class

Credit and counterparty risk 31 December 2015

Exposure class (EUR 1,000)	Total	less than 3 months	3–12 months
Exposures to central governments or central banks	215,794	10,593	12,850
Exposures to regional governments or local authorities	54,018	784	4,800
Exposures to public sector entities	4,007	-	-
Exposures to institutions	193,595	94,756	25,092
Exposures to corporates	675,888	16,646	28,542
Retail exposures	686,742	13,232	22,089
Exposures secured by mortgages on immovable property	1,994,040	15,940	24,424
Exposures in default	34,298	13,961	1,329
Exposures associated with particularly high risk	1,837	-	-
Exposures in the form of covered bonds	33,420	-	-
Exposures in the form of units or shares in collective investment undertakings	241,189	-	-
Equity exposures	67,724	-	-
Other items	98,035	17,578	-
Total	**4,300,587**	**183,490**	**119,126**

Exposure class (EUR 1,000)	1–5 years	5–10 years	over 10 years
Exposures to central governments or central banks	35,104	32,628	124,619
Exposures to regional governments or local authorities	3,341	19,745	25,348
Exposures to public sector entities	-	-	4,007
Exposures to institutions	4,335	1,081	68,331
Exposures to corporates	182,360	130,825	317,516
Retail exposures	148,140	159,826	343,455
Exposures secured by mortgages on immovable property	205,563	374,469	1,373,644
Exposures in default	4,009	4,992	10,008
Exposures associated with particularly high risk	-	-	1,837
Exposures in the form of covered bonds	33,420	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	241,189
Equity exposures	-	-	67,724
Other items	36	-	80,421
Total	**616,308**	**723,566**	**2,658,098**

Credit and counterparty risk 31 December 2014

Exposure class (EUR 1,000)	Total	less than 3 months	3–12 months
Exposures to central governments or central banks	27,144	1,281	1,932
Exposures to regional governments or local authorities	2,971	200	30
Exposures to public sector entities	-	-	-
Exposures to institutions	474,303	247,704	5,952
Exposures to corporates	633,488	17,683	36,115
Retail exposures	570,273	15,052	20,028
Exposures secured by mortgages on immovable property	1,928,497	16,527	30,667
Exposures in default	39,906	16,197	1,197
Exposures associated with particularly high risk	1,627	-	-
Exposures in the form of covered bonds	1,306	-	1,306
Exposures in the form of units or shares in collective investment undertakings	169,922	-	-
Equity exposures	76,066	-	-
Other items	98,664	19,694	-
Total	**4,023,533**	**334,339**	**97,227**

Exposure class (EUR 1,000)	1–5 years	5–10 years	over 10 years
Exposures to central governments or central banks	3,518	4,104	16,309
Exposures to regional governments or local authorities	317	1,344	1,080
Exposures to public sector entities	-	-	-
Exposures to institutions	16,695	2,295	201,657
Exposures to corporates	154,443	134,176	291,070
Retail exposures	118,049	136,163	280,980
Exposures secured by mortgages on immovable property	196,896	360,690	1,323,718
Exposures in default	5,414	5,976	11,122
Exposures associated with particularly high risk	-	-	1,627
Exposures in the form of covered bonds	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	169,922
Equity exposures	-	-	76,066
Other items	127	-	78,208
Total	**495,460**	**644,748**	**2,451,759**

NOTE 48.57: Total exposure by exposure class and counterparty

Credit and counterparty risk 31 December 2015

Exposure class (EUR 1,000)	Total	Private	Corporate	- of which SME exposures
Exposures to central governments or central banks	215,794	128,678	14,613	-
Exposures to regional governments or local authorities	54,018	-	13,778	-
Exposures to public sector entities	4,007	-	-	-
Exposures to institutions	193,595	346	275	-
Exposures to corporates	675,888	77,021	284,506	224,902
Retail exposures	686,742	329,651	152,782	95,632
Exposures secured by mortgages on immovable property	1,994,040	1,566,441	191,140	133,553
Exposures in default	34,298	12,955	15,146	-
Exposures associated with particularly high risk	1,837	-	1,165	-
Exposures in the form of covered bonds	33,420	-	33,420	-
Exposures in the form of units or shares in collective investment undertakings	241,189	-	-	-
Equity exposures	67,724	-	24,617	-
Other items	98,035	-	-	-
Total	**4,300,587**	**2,115,094**	**731,441**	**454,086**

Exposure class (EUR 1,000)	Agricultural	Other
Exposures to central governments or central banks	17,657	54,846
Exposures to regional governments or local authorities	1,796	38,443
Exposures to public sector entities	4,007	-
Exposures to institutions	3	192,972
Exposures to corporates	269,124	45,237
Retail exposures	184,137	20,172
Exposures secured by mortgages on immovable property	207,127	29,332
Exposures in default	4,513	1,683
Exposures associated with particularly high risk	-	672
Exposures in the form of covered bonds	-	-
Exposures in the form of units or shares in collective investment undertakings	-	241,189
Equity exposures	38	43,070
Other items	-	98,035
Total	**688,402**	**765,651**

Credit and counterparty risk 31 December 2014

Exposure class (EUR 1,000)	Total	Private	Corporate	- of which SME exposures
Exposures to central governments or central banks	27,144	16,422	2,133	-
Exposures to regional governments or local authorities	2,971	-	977	-
Exposures to public sector entities	-	-	-	-
Exposures to institutions	474,303	548	513	-
Exposures to corporates	633,488	74,820	263,499	223,125
Retail exposures	570,273	283,524	129,883	99,182
Exposures secured by mortgages on immovable property	1,928,497	1,498,607	192,757	134,500
Exposures in default	39,906	14,559	17,246	-
Exposures associated with particularly high risk	1,627	-	147	-
Exposures in the form of covered bonds	1,306	-	-	-
Exposures in the form of units or shares in collective investment undertakings	169,922	-	-	-
Equity exposures	76,066	-	31,710	-
Other items	98,029	-	-	-
Total	**4,023,533**	**1,888,482**	**638,865**	**456,808**

Exposure class (EUR 1,000)	Agricultural	Other
Exposures to central governments or central banks	3,000	5,589
Exposures to regional governments or local authorities	75	1,920
Exposures to public sector entities	-	-
Exposures to institutions	5	473,237
Exposures to corporates	255,664	39,504
Retail exposures	146,464	10,402
Exposures secured by mortgages on immovable property	208,437	28,696
Exposures in default	3,571	4,530
Exposures associated with particularly high risk	-	1,480
Exposures in the form of covered bonds	-	1,306
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	169,922
Equity exposures	-	44,355
Other items	-	98,029
Total	**617,216**	**878,970**

NOTE 48.58: Geographical breakdown of significant credit exposures

Credit and counterparty risk 31 December 2015

Exposure class (EUR 1,000)	Total	Finland	Other
Exposures to central governments or central banks	215,794	170,688	45,106
Exposures to regional governments or local authorities	54,018	54,018	-
Exposures to public sector entities	4,007	4,007	-
Exposures to institutions	193,595	170,691	22,904
Exposures to corporates	675,888	665,642	10,246
Retail exposures	686,742	685,260	1,482
Exposures secured by mortgages on immovable property	1,994,040	1,990,921	3,119
Exposures in default	34,298	34,265	34
Exposures associated with particularly high risk	1,837	1,837	-
Exposures in the form of covered bonds	33,420	11,742	21,677
Exposures in the form of units or shares in collective investment undertakings	241,189	233,014	8,175
Equity exposures	67,724	60,594	7,130
Other items	98,035	98,035	-
Total	**4,300,587**	**4,180,714**	**119,873**

Credit and counterparty risk 31 December 2014

Exposure class (EUR 1,000)	Total	Finland	Other
Exposures to central governments or central banks	27,144	22,245	4,899
Exposures to regional governments or local authorities	2,971	2,928	43
Exposures to public sector entities	-	-	-
Exposures to institutions	474,303	470,758	3,545
Exposures to corporates	633,488	623,245	10,243
Retail exposures	570,273	569,191	1,082
Exposures secured by mortgages on immovable property	1,928,497	1,925,480	3,017
Exposures in default	39,906	39,857	49
Exposures associated with particularly high risk	1,627	1,627	-
Exposures in the form of covered bonds	1,306	1,306	-
Exposures in the form of units or shares in collective investment undertakings	169,922	164,163	5,759
Equity exposures	76,066	68,339	7,727
Other items	98,029	98,029	-
Total	**4,023,533**	**3,987,168**	**36,365**

NOTE 48.59: Total exposures by exposure class by hedging collateral

Credit and counterparty risk 31 December 2015

Exposure class (EUR 1,000)	Total	Financial guarantees	Real collateral securities	Guarantees	Other
Exposures to central governments or central banks	215,794	-	-	-	-
Exposures to regional governments or local authorities	54,018	-	-	-	-
Exposures to public sector entities	4,007	-	-	-	-
Exposures to institutions	193,595	-	-	-	-
Exposures to corporates	675,888	5,132	-	26,336	231
Retail exposures	686,742	8,962	-	92,702	1,023
Exposures secured by mortgages on immovable property	1,994,040	-	1,991,922	-	-
Exposures in default	34,298	113	17,892	489	77
Exposures associated with particularly high risk	1,837	-	-	-	-
Exposures in the form of covered bonds	33,420	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	241,189	-	-	-	-
Equity exposures	67,724	-	-	-	-
Other items	98,035	-	-	-	-
Total	**4,300,587**	**14,207**	**2,009,814**	**119,527**	**1,330**

Credit and counterparty risk 31 December 2014

Exposure class (EUR 1,000)	Total	Financial guarantees	Real collateral securities	Guarantees	Other
Exposures to central governments or central banks	27,144	-	-	-	-
Exposures to regional governments or local authorities	2,971	-	-	-	-
Exposures to public sector entities	-	-	-	-	-
Exposures to institutions	474,303	-	-	-	-
Exposures to corporates	633,488	5,457	-	27,271	-
Retail exposures	570,273	9,418	-	86,244	20
Exposures secured by mortgages on immovable property	1,928,497	0	1,924,493	-	-
Exposures in default	39,906	150	20,801	712	-
Exposures associated with particularly high risk	1,627	-	-	-	-
Exposures in the form of covered bonds	1,306	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	169,922	-	-	-	-
Equity exposures	76,066	-	-	-	-
Other items	98,029	-	-	-	-
Total	**4,023,533**	**15,025**	**1,945,294**	**114,226**	**20**

NOTE 48.60: Collateral used in capital adequacy

The following real collateral securities specified in the EU Capital Requirements Regulation No 575/2013 are utilised in capital adequacy calculations: residential buildings 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 has been treated using the so-called comprehensive method and volatility adjustments ordered by the relevant regulator.

In addition, approved guarantors specified in the EU's Capital Requirements Regulation are used in the standardised approach to 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 48.61: Degree of asset encumbrance

Assets 31 Dec. 2015

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the institution	**29,141**		**4,035,079**	
Equity instruments	-	-	309,270	309,368
Debt securities	29,141	29,209	288,664	286,403
Other assets	-		3,437,145	

Collateral received 31 Dec. 2015

(EUR 1,000)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institutions	**-**	**-**
Equity instruments	-	-
Debt securities	-	-
Other collateral held	-	-
Debt-based securities issued, except for own covered bonds or asset-backed securities (ABS)	-	-

Encumbered assets/collateral received and debts due to those 31 Dec. 2015

(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
Carrying amount of selected financial liabilities	-	29,141

Information about the importance of assets encumbrance

The Bank has used collateral of securities in the balance with a fair value of EUR 29,140,738.00.
Information on the situation 31 December 2015.

Assets 31 Dec. 2014

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the institution	**1,608**		**3,845,200**	
Equity instruments	-	-	243,393	243,584
Debt securities	1,608	1,696	131,916	132,204
Other assets	-		3,469,890	

Collateral received 31 Dec. 2014

(EUR 1,000)	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institutions	**-**	**-**
Equity instruments	-	-
Debt securities	-	-
Other collateral held	-	-
Debt-based securities issued, except for own covered bonds or asset-backed securities (ABS)	-	-

Encumbered assets/collateral received and debts due to those 31 Dec. 2014

(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
Carrying amount of selected financial liabilities	-	1,608

Information about the importance of assets encumbrance

The Bank has used collateral of securities in the balance with a fair value of EUR 1,696,110.00.
Information on the situation 31 December 2014.

NOTE 48.62: Operational risk statement

Operational risk capital requirement 31 Dec. 2015

(EUR 1,000)	2015	2014	2013	Capital requirement
Gross income total	100,821	97,612	-	
Profit indicator	15,123	14,642	-	14,882

Operational risk capital requirement 31 Dec. 2014

(EUR 1,000)	2014	2013	2012	Capital requirement
Gross income total	97,612	-	-	
Profit indicator	14,642	-	-	14,642

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.

The amalgamation of POP Banks' operational risk capital requirement has been calculated in accordance with the income statements presented for the financial years 2015 and 2014 in the additional financial information.

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 48.63: Leverage ratio

31 Dec. 2015

Reconciliation of leverage ratio and balance sheet		(EUR 1,000)
1	Total assets as per published financial statements	4,064,220
4	Adjustments for derivative financial instruments	688
6	Adjustment for off-balance sheet items	225,968
7	Other adjustments	-6,928
8	**Total leverage ratio exposures**	**4,283,948**

Disclosure of leverage ratio		
		Value of leverage ratio exposures
Balance sheet exposures (excluding derivative contracts, SFTs)		
1	On-balance sheet items (excluding derivative contracts, SFTs and fiduciary assets, but including collateral)	4,050,415
3	**Total on-balance sheet exposures (excluding derivative contracts, SFTs and fiduciary assets)**	**4,050,415**
Derivative contracts		
4	Derivative contracts: market value	7,165
5	Derivative contracts: mark-to-market method	400
11	**Total derivative contracts**	**7,565**
Other off-balance-sheet exposures		
17	Off-balance sheet exposures at gross notional amount	225,968
19	Other off-balance-sheet exposures	225,968
Capital and total exposures		
20	Tier 1 capital	466,087
21	Total leverage ratio exposures	4,283,948
Leverage ratio		
22	Leverage ratio	10.9%
EU-23	Choice on transitional arrangements and amount of derecognised fiduciary items	45,696

Balance sheet exposures total (excluding derivative contracts, SFTs and exempted exposures)		
		Value of leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivative contracts, SFTs and exempted exposures), of which:	4,050,415
EU-3	Banking book exposures, of which:	4,050,415
EU-4	Covered bonds	33,420
EU-5	Exposures treated as sovereigns	371,389
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	4,507
EU-7	Institutions	178,706
EU-8	Secured by mortgages of immovable properties	1,950,129
EU-9	Retail exposures	461,144
EU-10	Exposures to corporates	618,704
EU-11	Exposures in default	24,581
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	407,835

31 Dec. 2014

Summary reconciliation of accounting assets and leverage ratio exposures		(EUR 1,000)
1	Total assets as per published financial statements	3,846,808
4	Adjustments for derivative financial instruments	3,619
6	Adjustment for off-balance sheet items	164,479
7	Other adjustments	-5,234
8	**Total leverage ratio exposures**	**4,004,987**

Disclosure of leverage ratio		
		CRR leverage ratio exposures
Balance sheet exposures (excluding derivative contracts, SFTs)		
1	On-balance sheet items (excluding derivative contracts, SFTs and fiduciary assets, but including collateral)	3,833,810
3	**Total on-balance sheet exposures (excluding derivative contracts, SFTs and fiduciary assets)**	**3,833,810**
Derivative contracts		
4	Derivative contracts: market value	10,808
5	Derivative contracts: mark-to-market method	575
11	**Total derivative contracts**	**11,383**
Other off-balance-sheet exposures		
17	Off-balance sheet exposures at gross notional amount	164,479
19	Other off-balance-sheet exposures	164,479
Capital and total exposures		
20	Tier 1 capital	442,349
21	Total leverage ratio exposures	4,009,672
Leverage ratio		
22	Leverage ratio	11.0%
EU-23	Choice on transitional arrangements and amount of derecognised fiduciary items	54,173

Balance sheet exposures total (excluding derivative contracts, SFTs and exempted exposures)		
		Value of leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivative contracts, SFTs and exempted exposures), of which:	3,833,810
EU-3	Banking book exposures, of which:	3,833,810
EU-4	Covered bonds	1,306
EU-5	Exposures treated as sovereigns	133,347
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	500
EU-7	Institutions	476,472
EU-8	Secured by mortgages of immovable properties	1,928,497
EU-9	Retail exposures	480,759
EU-10	Exposures to corporates	612,577
EU-11	Exposures in default	28,938
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	171,413

NOTE 48.64: Shareholdings not included in the trading book

2015

Share breakdown (EUR 1,000)	Market value	Balance sheet value
Listed shares	16,546	16,546
Unlisted shares	50,670	50,572
Total	**67,216**	**67,119**

Diversified distribution of shares (EUR 1,000)	31 Dec. 2015
Listed shares	16,546
Necessary for operations	48,418
Shares in subsidiaries and participating interests	335
Other unlisted shares	1,819
Total	**67,119**

Capital gains and losses (EUR 1,000)	Gains	Losses	Total
Share/Cooperative capital	9,078	-2,067	**7,011**

Fair value reserve (EUR 1,000)	EUR	EUR
Fair value reserve balance at 1 January 2015 (gross)		500
Fair value increases	29,659	
Fair value decreases	-20,519	
Transferred from fair value reserve to the income statement	-6,321	
Total changes in fair value reserve 1 January–31 December 2015		2,819
Fair value reserve balance at 31 December 2015 (gross)		**3,318**

2014

Share breakdown (EUR 1,000)	Market value	Balance sheet value
Listed shares	20,370	20,370
Unlisted shares	54,684	54,579
Total	**75,054**	**74,948**

Diversified distribution of shares (EUR 1,000)	31 December 2014
Listed shares	20,370
Necessary for operations	46,753
Shares in subsidiaries and participating interests	6,486
Other unlisted shares	1,339
Total	**74,948**

Capital gains and losses (EUR 1,000)	Gains	Losses	Total
Share/Cooperative capital	6,180	-1,473	4,708

Fair value reserve (EUR 1,000)	EUR	EUR
Fair value reserve balance at 1 January 2014 (gross)		-1,402
Fair value increases	19,873	
Fair value decreases	-14,142	
Transferred from fair value reserve to the income statement	-3,830	
Total changes in fair value reserve 1 January–31 December 2014		1,902
Fair value reserve balance at 31 December 2014 (gross)		**500**

SIGNATURES

Signatures to the consolidated financial statements of the POP Bank Group

We have adopted the Report of Board of Directors and the Consolidated Financial Statements of the POP Bank Group, referred to in the Act on the Amalgamation of Deposit Banks, for the financial year ended 31 December 2015. The Board of Directors' Report and the Financial Statements will be presented to the general meeting of POP Bank Alliance Coop on 21 April 2016.

Helsinki, 29 February 2016

BOARD OF DIRECTORS OF POP BANK ALLIANCE COOP

Soile Pusa
Chairman of the Board

Petri Jaakkola
Vice Chairman of the Board

Ari Heikkilä
Member of the Board

Juha Niemelä
Member of the Board

Teemu Teljosuo
Member of the Board

Hannu Tuominiemi
Member of the Board

Auditor's note

A report on the audit performed has been issued today.

Espoo, 7 March 2016

KPMG OY AB

Johanna Gråsten

Authorised Public Accountant

AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the members of POP Bank Alliance Coop

We have audited the consolidated financial statements and the POP Bank Group's Board of Directors' Report, referred to in the Act on the Amalgamation of Deposit Banks, for the financial year 1 January–31 December 2015. The financial statements includes the combined balance sheet and notes.

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 and the Board of Directors' report that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in a manner explained in more detail in the notes to the financial statements, and a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and 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. The auditor assesses internal control in order to be able to plan appropriate auditing measures in view of the circumstances, but not for the purpose of issuing an opinion of the efficiency of the company's internal control. The audit also includes an assessment of the appropriateness of the accounting principles applied, of the reasonableness of the accounting estimates made by the management and of the general manner of presentation of the financial statements and the Board of Directors' report. In carrying out the audit, we also acquainted ourselves with the financial statement policies adopted by the entities consolidated in the POP Bank Group, as well as the auditors' reports submitted for the audit of the POP Bank 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 the POP Bank Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Report by the Board of Directors

In our opinion, the Report of the Board of Directors gives a true and fair view of the POP Bank 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.

Espoo, 7 March 2016

KPMG OY AB

Johanna Gråsten
Authorised Public Accountant