

**Bonum Bank Plc***(incorporated with limited liability in the Republic of Finland)***EUR 750,000,000 Programme for the  
Issuance of Notes**

Under this 750,000,000 euros note issuance programme (the “**Programme**”), Bonum Bank Plc (hereinafter “**Bonum**”, the “**Bank**” or the “**Issuer**”) may from time to time issue senior and unsecured notes (“**Notes**”). The Notes are issued in a series (each a “**Series of Notes**”). Each Series of Notes may comprise one or more tranches (each a “**Tranche of Notes**”) of Notes. The Programme provides that Notes may be listed on the Helsinki Stock Exchange maintained by Nasdaq Helsinki Ltd (the “**Helsinki Stock Exchange**”) as specified in the final terms of the relevant Tranche of Notes (the “**Final Terms**”). The Issuer may also issue unlisted Notes.

This base prospectus (the “**Base Prospectus**”) should be read and construed together with any supplement hereto and with any other documents incorporated by reference herein, and, in relation to any Tranche of Notes (as defined above) and with the Final Terms of the relevant Tranche of Notes. See “Information Incorporated by Reference”.

Besides filing this Base Prospectus with the Finnish Financial Supervisory Authority (the “**FIN-FSA**”), neither the Issuer nor the Arrangers (as defined below) have taken any action, nor will they take any action, to render the public offer of the Notes or their possession, or the distribution of this Base Prospectus or any other documents relating to the Notes admissible in any other jurisdiction than Finland requiring special measures to be taken for the purpose of a public offer.

The Notes have not been, and will not be, registered under the U.S. Securities Act 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any state of the United States. This Base Prospectus or the Final Terms are not to be distributed to the United States or in any other jurisdiction where it would be unlawful. The Notes may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the United States or to, for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (the “**Regulation S**”), except to a person who is not a U.S. Person (as defined in Regulation S) in an offshore transaction pursuant to Regulation S.

As at the date of this Base Prospectus, the Issuer has long- and short-term counterparty credit ratings BBB/A-2 by S&P Global Ratings (“**S&P**”). S&P is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”). S&P appears on the latest update of the list of registered credit rating agencies (as of 1 December 2015) on the ESMA website <http://www.esma.europa.eu>. The Series of Notes issued under the Programme will be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Series of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investment in the Notes to be issued under the Programme involves certain risks. Prospective investors should carefully acquaint themselves with such risks before making a decision to invest in the Notes. The principal risk factors that may affect the Issuer’s ability to fulfil its obligations under the Notes are discussed under “**Risk Factors**” below.

The distribution of this Base Prospectus may in certain jurisdictions be restricted by law, and this Base Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. No actions have been taken to register or qualify the Notes, or otherwise to permit a public offering of the Notes, in any jurisdiction outside of Finland. Bonum, the Arrangers and the lead manager(s) of a specific Tranche of Notes (the “**Lead Manager(s)**”) expect persons into whose possession this Base Prospectus comes to inform themselves of and observe all such restrictions. Neither Bonum, the Arrangers nor the Lead Manager(s) accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of the Notes is aware of such restrictions. In particular this Base Prospectus may not be sent to any person in the United States, Australia, Canada, Japan, Hong Kong, Singapore or any other jurisdiction in which it would not be permissible to deliver the Notes and the Notes may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into any of these countries.

**Arrangers****Nordea****Danske Bank**

## IMPORTANT NOTICES

**IMPORTANT – PROHIBITION OF SALES TO EEA RETAIL INVESTORS:** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of the Insurance Mediation Directive (Directive 2002/92/EC (as amended)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (the “**Prospectus Directive**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

**MIFID II PRODUCT GOVERNANCE / TARGET MARKET** – The Final Terms in respect of any Notes will include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any dealer purchasing any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

The Arrangers are acting exclusively for Bonum Bank Plc (“**Bonum**”, the “**Bank**” or the “**Issuer**”) as the arrangers of the Programme and will not be responsible to anyone other than Bonum for providing the protections afforded to their respective clients nor giving investment or other advice in relation to the Programme or the Notes.

This Base Prospectus has been prepared in accordance with the Finnish Securities Market Act (746/2012, as amended) (the “**Finnish Securities Market Act**”), the Finnish Ministry of Finance Decree on prospectuses referred to in Chapters 3 to 5 of the Finnish Securities Market Act (1019/2012), the Commission Regulation (EC) No 809/2004, as amended, in application of the Annexes VI, IX, XIII and XX thereof, and the regulations and guidelines of the FIN-FSA. The FIN-FSA, which is the competent authority for the purposes of the Prospectus Directive and relevant implementing measures in Finland, has approved this Base Prospectus (journal number FIVA 63/02.05.04/2018), but assumes no responsibility for the correctness of the information contained herein. Bonum will, as deemed necessary, supplement the Base Prospectus with updated information pursuant to Chapter 4, Section 14 of the Finnish Securities Markets Act.

Bonum will supplement this Base Prospectus when required in accordance with the mandatory provisions of Finnish law. Otherwise, neither the delivery of this Base Prospectus nor any sale nor delivery made hereunder shall create any implication that there has been no change in the affairs of Bonum since the date of this Base Prospectus or that the information herein is correct as of any time subsequent to the date of this Base Prospectus. The Arrangers expressly do not undertake to review the financial condition or affairs of Bonum during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by Bonum or the Lead Manager(s) that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. In making an investment decision, each investor must rely on their examination, analysis and enquiry of Bonum and the terms and conditions of the relevant Series of Notes, including the risks and merits involved. Neither Bonum, the Lead Manager(s) nor any of their respective affiliated parties nor representatives, is making any representation to any offeree or subscriber of the Notes regarding the legality of the investment by such person. Investors are required to make their independent assessment of the legal, tax, business, financial and other consequences of an investment in the Notes.

Neither the Arrangers nor the Lead Manager(s) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers or the Lead Manager(s) as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by Bonum in connection with the Programme. Notwithstanding the responsibilities and liabilities, if any, which may be imposed on the Arrangers or the Lead Manager(s) by Finnish laws or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, the Arrangers or the Lead Manager(s) do not accept any responsibility whatsoever for the contents of this Base Prospectus or for any statement made or purported to be made by it, or on its behalf, regarding Bonum and the Notes. The Arrangers and the Lead Manager(s) accordingly disclaim any and all liability whether arising in tort, contract, or otherwise (save as referred to above) which they might otherwise have in respect of this Base Prospectus or any such statement.

No person is or has been authorised by Bonum to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by Bonum, the Arrangers or the Lead Manager(s). Nothing contained in this Base Prospectus is, or shall be relied upon as, a promise or representation by the Arrangers or Lead Manager(s) as to the future. Investors are advised to inform themselves of any press release published by Bonum.

The Notes are governed by Finnish law and any disputes arising in relation to the Notes shall be settled exclusively by Finnish courts in accordance with Finnish law.

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## RISK FACTORS

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

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

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

### **Risk factors associated with the Group's operating environment**

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

In the first half of the ongoing decade, the general economic and financial market conditions in Europe and other parts of the world experienced significant turmoil due to, among other factors, the sovereign debt crisis in certain European countries, particularly certain eurozone Member States. Although the financial state of distressed euro area Member States has improved and speculations on the disruption to the euro area have significantly decreased since late 2012, no assurances can be made that the turmoil will not return should the real economy experience another downturn. As the state debt levels remain high and in some countries continue to increase, there is still a risk that the global economy could fall back into a recession that could be deeper and last longer than the one experienced in 2008 and 2009. In addition, geopolitical events, such as the situations in Ukraine, continued tensions in North-Korea, the instability in the Middle East, potential trade war due to protectionist policy initiatives by major economic powers and recent changes in certain policy goals of the U.S. government could have an adverse effect on the global economy, which could in turn undermine the competitiveness of the Group's corporate clients, such as small and medium size Finnish companies.

The financial results of the Group (as defined in the section headed "Glossary of defined terms") are affected by many factors, the most important of which are the general economic situation and its impact on the demand for banking services, such as housing loans. Deterioration in market conditions could result in difficulties for the Group's customers in meeting their payment obligations, which could lead to increased disruptions in repayments of loans, as well as write-downs and loan losses. Deterioration in the general economic situation could also reduce demand for loans, such as housing loans and other products, leading to reduced net interest income from the banking business. Furthermore, the development of housing markets and general economic conditions may vary significantly between different regions in Finland, as the impact of certain structural changes may differ in individual economic regions. The Group's loan portfolio is concentrated in non-capital regions of Finland, and thereby the unfavourable development of housing markets and general economic conditions in such regions could have an adverse impact on the Group's risk position.

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

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

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

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

Liquidity risk refers to the Issuer's ability to fulfil its 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 liability 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 Issuer acts as a central credit institution for the POP Banks meaning that the Issuer is responsible for the transfer of Amalgamation's payments and wholesale funding in money and capital markets. The Issuer supports the POP Banks' liquidity management and provides the POP Banks with refinancing solutions. Thus, the Issuer is responsible for the whole Amalgamation's liquidity and funding from money and capital markets.

Should the demand for housing and corporate loans suddenly increase, the Amalgamation may find that its deposits are no longer a sufficient source of funding for the Amalgamation's financing needs, and the Amalgamation would therefore need to seek other forms of funding. There can be no assurance that alternative sources of funding will be available on competitive terms or at all.

***The long-term or structural funding risk on the balance sheet may threaten the continuity of the lending as well as the financing position of the Group***

The long-term funding risk, also known as structural funding risk, on the balance sheet refers to uncertainty related to the financing of long-term lending or other long-term commitments, arising from the funding on market terms. If realised, the risk may threaten the continuity of the lending as well as the financing position of the Group.

***Materialised short-term liquidity risk would cause inability to meet payment obligations***

Short-term liquidity risk refers to a quantitative and temporary imbalance of the Issuer's or any Group member's short-term cash flow. If realised, the risk means that the Issuer or other member of the Group will not be able to meet its payment obligations at the time they are falling due.

Liquidity risks are prepared for by maintaining a liquidity portfolio which helps the Issuer to manage without external financing. Financial planning in asset liability management and liquidity contingency plan help to anticipate liquidity in different situations. Despite of compliance of said plans and measures therein, liquidity risk may jeopardize or prevent continuation of the Issuer's business operations.

***The POP Banks are exposed to risks relating to the outflow of deposits***

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

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

The financial services market remains highly competitive in the local and regional markets where the POP Banks operate. For example, the margins of housing loans are decreasing due to competition. In

addition, the operating environment of the financial services market faces significant changes. Innovative competition comes both from established players and a steady stream of new market entrants and may take the form of new products or operating models such as digitalisation. The market is expected to remain highly competitive in the POP Banks' core business areas, which could adversely affect the POP Banks' business, results of operations and financial conditions.

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

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

**Risk factors associated with the Amalgamation's operations**

***The Amalgamation's strategy or its execution may fail***

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

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

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

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

The Amalgamation monitors the nature of operational risks, their occurrence and the volume of damages or losses in the event of an operational risk incident. The Board and senior management of the Member Credit Institutions receive regular reporting on operational risks based on the collected data concerning operational risk events and damage/loss incurred. Incurred damages/losses that are over EUR 10,000 are reported to the POP Bank Alliance. The POP Bank Alliance's Board receives regular reports on the status of the most significant operational risks faced by the Amalgamation. The Issuer is exposed to operational risks through its business operations and through setting up of the central credit institution services. Operational risk losses and "near miss"- events are reported to the Issuer's Board of Directors and to the POP Bank Alliance's independent risk control unit on a regular basis. Operational risk is one of the key risk categories in ICAAP and risk based capital allocation. Operational risk losses are also reported to the FIN-FSA according to EU regulations. The Issuer has not had any operational risk losses reported to the POP Bank Alliance as to date of this Base Prospectus.

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

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

The growth of the POP Banks' combined loan portfolio amounted to 3.4 per cent. in 2017. During 2017, the POP Banks' loan portfolio grew from EUR 3,216.152 million to EUR 3,325.363 million. The key customer groups of the POP Banks are Finnish private individuals, small enterprises and agricultural

customers. As the key customer groups consist of Finnish customers, it cannot be overlooked that the POP Banks' business, results of operations and financial condition could be adversely affected by this geographical risk concentration in Finland. The majority of the funds raised by the POP Banks have been granted as housing loans to their customers. As at 31 December 2017, households, small enterprises and agricultural customers made up 99 per cent. of the loans on the Group's balance sheet. The majority of the Group's loans, i.e. 65.2 per cent., have been granted against residential housing serving as collateral for the underlying loan. Therefore, although corporate loans provide diversification against the credit risk posed by the housing loans, the Amalgamation's credit risk is mainly dependent on the POP Banks' housing loan portfolio.

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

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

Impairment losses on loans and receivables were EUR 23.3 million at the end of the financial year 2017 (2016: EUR 21.7 million). Individually assessed impairment losses were in total EUR 20.3 million (2016: EUR 18.8 million) and collective impairment losses totalled EUR 3.0 million (2016: EUR 2.9 million). Estimating and pricing credit risks as well as the realisation time and value of collateral is, however, uncertain, and therefore possible impairments could adversely affect the POP Banks' business, results of operations and financial condition. There is no guarantee that loss estimates will reflect actual future losses. If the level of impairments and non-performing loans is higher than anticipated, it may have a material adverse effect on the POP Banks' business, results of operations and financial condition.

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

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

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

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

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

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

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

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

***Customers and counterparties may file damages claims against the Member Credit Institutions or the Group***

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

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

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

***The Group is exposed to system and information security risks***

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

The Group is currently conducting negotiations about updating the core banking systems for the banking segment of the Group with the purpose of improving the cost-efficiency of the Group's processes, streamlining the Group's IT systems and enhancing the management of the Group's information resources. However, there can be no assurance that the project will be completed within the expected timeline or that the anticipated benefits of the updated system will be realized. Any failure or delay in the renewal project could have a material adverse impact on the Group's business or results of operations.

Furthermore, the Group's operations depend on confidential and secure data processing. As part of its business operations, the Group stores personal and banking specific information provided by its customers which in Finland are subject to certain regulations concerning privacy protection and banking secrecy. The Group may incur substantial costs if information security risks materialise. Resolving system and information security problems may cause interruptions or delays in the Group's customer service, which could have an adverse effect on the Group's reputation and persuade customers to abandon the Group's services or to present the Group with claims for compensation. Furthermore, if the Group fails to



effectively implement new IT systems or to adapt to new technological developments, it may incur substantial additional expenses or be unable to compete successfully in the market. Any one of the aforementioned factors could have an adverse effect on the Group's business, results of operations or financial condition.

***There may be interruptions in the Group's business operations***

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

***The Group collects and processes personal data as part of its daily business and the leakage of such data could result in fines, loss of reputation and customers***

In the ordinary course of operations, the Group collects, stores and uses data that is protected by data protection laws. The protection of customer, employee and company data is critical to the Issuer and it is subject to increasing data security requirements. The EU General Data Protection Regulation (EU 2016/679, "GDPR") entered into force 25 May 2018. The GDPR applies to all processing of personal data, meaning any operation performed upon identifiable information of an individual (data subject) within the EU. In addition, the GDPR applies to the offering of goods and services in the EU and to the monitoring of data subjects' behavior within the EU, regardless of the location of the company. Breaches of the GDPR could result in fines of up to 20 million euro.

Although in the view of the POP Bank Alliance's management it has, as of the date of this Base Prospectus, arranged the handling of personal data within its organisation in a manner that fulfils the requirements of data protection legislation in force, it is possible that the personal data systems are misused. Further, the Group may fail to protect personal data in accordance with the privacy requirements provided under applicable laws, and certain customer data may be used inappropriately either intentionally or unintentionally, or leaked as a result of human error or technological failure.

The GDPR may limit the Group's possibility to use customer data for example to develop its service offerings or for other purposes. Violation of data protection laws by the Group or one of its partners or suppliers, or any leakage of customer data may result in fines and reputational harm and could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Issuer's joint liability within the Amalgamation involves risks***

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

In turn, a Member Credit Institution is liable to pay to the POP Bank Alliance its own share of the amount which the POP Bank Alliance has paid to another Member Credit Institution either as support, as described above, or as payment to a creditor of another Member Credit Institution for an unpaid due debt. The total amount of liability of each Member Credit Institution is unlimited in case of the POP Bank Alliance's liquidation or bankruptcy (as set out in Chapter 14, section 11 of the Act on Cooperatives (*Osuuskuntalaki 14.6.2013/421*, as amended)). Otherwise, the liability to pay of each Member Credit Institution: (a) is limited to a proportional share of the total liability (each Member Credit Institution's liability for the amount which the POP Bank Alliance has paid on behalf of one Member Credit Institution to its creditors is divided between the Member Credit Institutions in proportion to their last confirmed balance sheet totals); and (b) is only applicable if such Member Credit Institution has at least a minimum capital adequacy (in each case as set out, determined and subject to limitations in accordance with Chapter 5 of the Amalgamation Act). Those entities within the Amalgamation that are not Member

Credit Institutions will not be liable for Member Credit Institutions' debts under the Amalgamation Act. Accordingly the ability of any Noteholder to take action against an individual Member Credit Institution will be limited, and enforcement in respect of an individual claim may require enforcement actions to be brought against several different entities. This will represent an additional administrative burden and expense, and there can be no assurance that all or any of such enforcement actions will be successful.

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

#### ***Changes in the composition of the Amalgamation may involve risks***

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

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

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

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

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

#### ***The Group risk management may not be adequate***

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

Group. Factors described above or any other failure in risk management could cause substantial losses and adversely affect the Group's business, results of operations and financial condition.

### **Risks related to the Issuer's financial position and financing**

#### ***The Issuer is exposed to credit risk***

Credit risk is the key risk among the business risks of the Issuer. Credit risk refers to losses of the Issuer when some of the Issuer's counterparty, usually the debtor, is not able to fulfil its payment obligations and the value of collateral for the credit is not sufficient to cover the creditor's receivables. The credit risk of the Issuer's operations consists of the investment activities of the liquidity reserves as well as banking operations, including card business and other retail banking. The counterparty risk is managed as part of the credit risk. When realised, the credit risk is ultimately seen as impairment losses which may have an adverse effect on the Issuer's financial condition, results of operations and ability to make payments under the Notes.

The business strategy and credit exposure management guidelines approved by the Board of Directors of the Issuer specify the maximum limits for risk concentrations. However, credit risk may occur despite of compliance of said principles.

#### ***The Issuer and the Group's banking segment are exposed to interest rate risk***

Interest rate risk is the most significant market risk in the Issuer's business operations. Interest rate risk refers to the negative effect of changes in interest rates on the market value or net interest income of 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 reset and maturity dates. Interest rate risk also arises from the liquidity reserve investment activities and the financial account of the banking business.

During the first quarter of 2016, the ECB reduced its interest rates on the main refinancing operations historically low, to negative 0.4 per cent. In addition to this, ECB initiated its quantitative easing measures in March 2015, which have since then affected the interest rate level development, and even though the ECB's quantitative easing measures are anticipated to end in December 2018, they might continue to affect the interest rate development in the future. As a result of the monetary policy of ECB, also the EURIBOR-rates, which are central reference rates used for mortgages, are at historically low levels. This might have an adverse effect on the Issuer's and the Group's banking segment's financial position if the situation continues and the interest payments received on the issued mortgages are reduced due to the low reference rates.

Interest rate risk is monitored using the net present value method and the net interest income risk model. The net present value method measures how changes in interest rates change the constructed market value of financial assets. In the net present value method, the market value of each balance sheet item is expected to be formed as the present value of the expected cash flows of individual balance sheet items. The net interest income risk model predicts the future net interest income as market interest rates change. The objective of interest rate management is to stabilize the interest rate risk involved in the Issuer's balance sheet to a level at which business is profitable and capital adequacy is not compromised even in the event of strong changes in the interest rate environment.

However, there is no certainty that the interest rate management prevents the materialisation of interest rate risk. Accordingly, historically low interest rates and failure to manage this risk could adversely affect the Group's business, results of operations and financial condition.

#### ***The Issuer is exposed to market risks***

Market risk refers to the effect of changes in interest rates or other market prices on the Issuer's result and capital adequacy. The fair value of financial instruments held by the Issuer is sensitive to volatility of and correlations between various market variables, including interest rates and credit spreads.

Materialised market risks could require the Issuer to recognise negative fair value changes, write-downs or realise impairment charges, which may have a material adverse effect on the Issuer's business, financial condition and results of operations.

## **Risks associated with legal and regulatory environment**

### ***Regulation and oversight of the Group's business operations***

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

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

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

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

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

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

Major parts of the CRD IV Package governing the capital adequacy and liquidity requirements are already in force in Finland and applicable to Finnish credit institutions. However, certain requirements of the CRD IV Package have not yet taken full effect, as these requirements are intended to enter into force gradually. It is not possible to predict all the potential impacts the CRD IV Package may have on the banking sector before it has been fully implemented. In addition, planned amendments to capital requirements ("**CRD V package**") will require banks to adjust their operations, although the exact content and the time of entry to force of the amendments is still uncertain.

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

- changes in the monetary economy, the interest rate and the policies of central banks or regulatory authorities;
- general changes in government policy or regulatory policy which may have a material impact on investor decisions in specific markets in which the Group operates;
- changes in the maximum loan-to-value ratio for housing loans (loan cap);
- changes in the competitive environment and pricing; and
- changes in the financial statements framework.

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

#### ***Stock exchange listing brings increased regulation***

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

The Market Abuse Regulation (596/2014/EU) ("**MAR**") establishes a common regulatory framework on insider dealing, the unlawful disclosure of inside information and market manipulation (market abuse) as well as measures to prevent market abuse to ensure the integrity of the financial market in the European Union and to enhance investor protection and confidence in those markets. MAR imposes a range of regulatory requirements on the Issuer and violations of MAR may result in significant adverse consequences, such as penalties or even criminal sanctions. MAR also contains rules on, among other things, procedures relating to the maintenance of insider lists and the disclosure of managers' transactions.

If the Issuer was deemed to have neglected the obligations incumbent upon issuers of listed notes, this may lead to sanctions under the MAR and related regulation as well as to negative publicity, which in turn could have an adverse effect on the Issuer's business operations, its performance or its financial position and have a significant adverse effect on the Issuer's reputation.

#### ***The Group is exposed to risks related to changes in taxation***

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

#### ***Risks associated with abuse of the financial system***

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

#### ***Changes in accounting principles, standards and methods***

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

### **Risks relating to the Notes**

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

#### ***The Notes may not be a suitable investment for all investors***

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to this Base Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such potential investor's financial activities are principally denominated;
- (d) understand thoroughly the terms of the relevant Notes and the behaviour of any relevant financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The past development of the value of securities is not a guarantee of returns in the future. The investor alone is liable for the financial consequences of his or her investment decisions. Changes in the tax treatment of the Notes and their return during the term of the Notes may adversely affect the net returns received by the Noteholder.

Investor may lose in part or wholly the invested principal or the interest in case Bonum would become insolvent during the term of the Notes.

#### ***Amendments to the conditions of the Notes bind all Noteholders***

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

#### ***The Notes are subject to risks related to exchange rates and exchange controls***

The Issuer pays the principal and interests on the Notes in the currency determined in the Final Terms. This causes risks relating to currency exchange in case the financial activities of investor are carried out mainly in another currency (the "**Investor's Currency**") than the currency of the Notes. Such risks consist of significant changes in the currency exchange rates, in particular devaluation of the note currency or revaluation of the Investor's currency as well as currency control measures and changes related thereto that are conducted by the home country authorities of either the Investor's currency's country or the note currency country. An increase in the value of the Investor's Currency in relation to the currency of the Notes reduces (i) the investor's counter-value on return received from the Notes, (ii) the counter-value of the principal of the Notes payable to investor and (iii) the counter-value of the market price of the Notes measured in the Investor's Currency.

Governments and authorities responsible for monetary policy may implement currency controls (as some have already done in the past) which can have a negative influence on the exchange rates. As a consequence, the investor may receive less interest or principal than expected – or nothing at all – when measured in the Investor's Currency.

### *Increased capital requirements and standards*

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

CRD IV introduced significant changes in the prudential regulatory regime applicable to banks including: increased minimum capital ratios; changes in the elements of own funds, as well as changes in the calculation of own fund requirements; and the introduction of new measures relating to leverage, liquidity and funding. In respect of capital requirements, the CRD IV package set out several measures intended to improve the quality of capital requirements applied to banks in addition to raising the amounts thereof. These changes are intended to improve the ability of banks to absorb losses in both their day-to-day operations and in situations of insolvency in addition to creating buffers against the economic cycle. The purpose of the leverage ratio requirement is to decrease the risk of a build-up of excessive leverage in financial institutions and in the financial system as a whole. CRD IV permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the CRD IV leverage ratio, which are not expected to be finally implemented until 2020. Minimum capital requirements came into force from 1 January 2014 without transitional measures. Finnish regulatory capital and liquidity requirements are determined in accordance with both the directly applicable CRD IV Regulation and the Credit Institutions Act, which implements the requirements of the CRD IV Directive in to Finnish legislation. Pursuant to the Credit Institutions Act, a credit institution must continuously hold the minimum amount of own funds and consolidated own funds specified in the CRD IV Regulation and chapter 10 of the Credit Institutions Act. Under the Credit Institutions Act, the definition of own funds correspond to the definition of own funds as set forth in the CRD IV Regulation. When calculating the required level of own funds for a Finnish credit institution, such calculation is carried out in accordance with both the CRD IV Regulation and the Credit Institutions Act.

Pursuant to the CRD IV Regulation, credit institutions must have a common equity Tier 1 capital ratio of at least 4.5 per cent., a Tier 1 capital ratio of 6 per cent. and a total capital ratio of 8 per cent. (each ratio expressed as a percentage of the total risk exposure amount). Furthermore, pursuant to the Credit Institutions Act, an additional capital conservation buffer of 2.5 per cent. has been applicable from 1 January 2015 to all credit institutions. The FIN-FSA is also authorised to set a countercyclical buffer of zero to 2.5 per cent. based on macroprudential analysis. As from 1 January 2018, the FIN-FSA has been authorised to set a systemic risk buffer of 1 to 5 per cent. The systemic risk buffer requirement may be set to cover long-term non-cyclical risks to the financial system. The FIN-FSA has not imposed the countercyclical buffer as at the date of this Base Prospectus. On 29 June 2018, the FIN-FSA decided to impose the systemic risk buffer for three credit institutions at a higher level and for other credit institutions, including the Amalgamation, at 1 per cent. as of 1 July 2019. The additional capital conservation buffer and the countercyclical buffer must be satisfied with common equity Tier 1 capital. Finally, there is an additional capital buffer requirement for "other systemically important institutions" (O-SIIs) whose failure or other malfunction would be expected to jeopardise the stability of the national financial system. The O-SII buffer for credit institutions operating in Finland may be set at zero to 2 per cent of the total risk exposure amount and must also be satisfied with common equity Tier 1 capital. As at the date of this Base Prospectus, neither the Issuer, the Group or any POP Banks are designated as O-SIIs.

Management and reporting of liquidity risk is based on separate Principles of Liquidity Risk Management. Said principles also take into account existing and future mandatory requirements relating to Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**"). Both principles have been introduced by the Basel Committee on Banking Supervision. The LCR was implemented in 2015, pursuant to which the liquidity buffer comprised of high quality liquid assets must amount at least 100 per cent as of 1 January 2018 of the stress-tested amount of monthly net cash outflows. In line with Basel III, the EU's Capital Requirements Regulation (EU 575/2013) ("**CRR**") imposes a liquidity coverage requirement on credit institutions to improve the resilience of credit institutions to liquidity risks over a short-term period (i.e. thirty days). The general liquidity coverage requirement applicable to EU credit institutions is set out

in Article 412 of the CRR. Furthermore, on 10 October 2014, the European Commission published a Commission Delegated Regulation (EU) 2015/61 ("**Delegated Regulation**") to supplement CRR with regard to the liquidity coverage requirement for credit institutions. Finnish credit institutions must comply with the liquidity requirement set forth in the CRR and as further specified by the Delegated Regulation.

The NSFR aims to ensure that a firm has an acceptable amount of stable funding to support its assets and activities over a one year horizon. Although the Basel Committee had scheduled the NSFR to become a minimum standard internationally by 1 January 2018, in the EU the ratio is still subject to national implementation. On 23 November 2016, the European Commission published its proposed amendment to the CRD IV Regulation (COM(2016) 850 final) in relation to certain amendments of the NSFR and other definitions of the CRD IV Regulation, but the final effects of the proposal are unclear as at the date of this Base Prospectus.

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

Pursuant to the Amalgamation Act, the FIN-FSA may grant a central institution a permission to decide that its member credit institutions may be exempted from the applicability of the CRD IV Regulation as regards the capital requirements in respect of the amount of credit institution's own funds. During 2017, the Member Credit Institutions were exempted, based on permission granted by the FIN-FSA, from the own funds requirements for intragroup items and large exposures limits for the exposures between the Issuer and other Member Credit Institutions.

#### ***The Issuer may be subject to statutory resolution***

The Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") sets out the necessary steps and powers to ensure that bank failures across the EU are managed in a way which mitigates the risk of financial instability and minimises costs for taxpayers. The BRRD sets out a minimum standard of harmonisation and needs to be adopted through local legislation before it will become effective. The BRRD is designed to provide authorities with a harmonised set of tools and powers to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contemplates that powers will be granted to supervisory authorities including (but not limited to) the introduction of a statutory "write-down and conversion power" and a "bail-in" power, which will give the relevant resolution authority the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes) of a failing financial institution and/or to convert certain debt claims (which could include the Notes) into another security, including equity instruments of the surviving Group entity, if any. The Finnish legislation implementing the BRRD entered into force on 1 January 2015. For more information on the implementation of the BRRD in Finland, see "*The Finnish resolution legislation implementing the BRRD Directive*".



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

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

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

In addition to the BRRD, the EU has adopted a directly applicable regulation governing the resolution of the most significant financial institutions in the Eurozone, i.e. a regulation establishing a Single Resolution Mechanism for them (806/2014, "**SRM Regulation**"). The SRM Regulation establishes a single European resolution board (consisting of representatives from the ECB, the European Commission and the relevant national resolution authorities) (the "**Resolution Board**") having resolution powers over the entities that are subject to the SRM Regulation, thus replacing or exceeding the powers of the national resolution authorities. As at the date of this Base Prospectus, the Issuer is not subject to the SRM Regulation but to the Finnish resolution legislation implementing the BRRD.

#### ***The Finnish resolution legislation implementing the BRRD Directive***

The BRRD Directive was implemented in Finland through the Act on Resolution of Credit Institutions and Investment Firms (1197/2014, as amended) (in Finnish *laki luottolaitosten ja sijoituspalveluyritysten kriisinvratkaisusta*), (the "**Resolution Act**") and the Act on Financial Stability Authority (1198/2014, as amended) (in Finnish *laki rahoitusvakausviranomaisesta*), together the "**Finnish Resolution Laws**". Both acts entered into force on 1 January 2015. The latter regulates the Finnish Financial Stability Authority (the "**Stability Authority**"), which will be the national resolution authority having counterparts in all EU member states. Among its key tasks, the Stability Authority draws up resolution plans for institutions, decides whether a failing institution is placed under resolution and applies the necessary resolution tools to an institution under resolution. The implementation of the BRRD also involved amendments to dozens of existing acts, most notably to the Credit Institutions Act, and the repeal of the Act on the Temporary Bank Levy and of the Act on the Government Guarantee Fund.

Under the regime, credit institutions are generally required to draw up recovery plans or living wills to secure continuation of business in financial distress. These plans must include options for measures to restore the financial viability of the institution and they must be updated yearly. The plans will have to be submitted to the FIN-FSA for scrutiny. In the context of the new legislation, the FIN-FSA became empowered to apply early intervention tools to banks and investment firms if the FIN-FSA has weighty reasons to believe that the institution will fail its licensing conditions, liabilities or obligations under the capital adequacy regulations within the next 12 months. The early intervention tools encompass, among others, rights of the FIN-FSA to require the management to implement measures included in the living will, to convene a general meeting of shareholders to take necessary decisions, to require removal of members of the management and to require changes to the legal and financial structure of the institution.

Pursuant to the Resolution Act, the Stability Authority shall draw up and adopt a resolution plan for the institutions subject to its powers, including the Member Credit Institutions. The resolution plan is ready for execution in the event that the institution in question has to be placed into a resolution process. The Resolution Act vests the Stability Authority with resolution powers and tools as provided in the BRRD. To be able to use the other resolution tools the Stability Authority shall first place the institution in a resolution process. During the process, the institution could be subject to a number of resolution tools: the Stability Authority has the right to mandatory write-down the nominal value of liabilities and convert

liabilities into regulatory capital instruments (bail-in), sale of business, bridge institution and asset separation. To continue the operations of the institution, the Stability Authority has the power to decide upon covering losses of the institution by reducing the value of the institution's share capital or cancelling its shares. This (as well as bail-in) is a precondition for any support from a newly established resolution fund administered by the Stability Authority.

The aim of the Finnish Resolution Laws is to provide authorities with a broad range of powers and instruments to address failing financial institutions in order to safeguard financial stability and minimise tax payers' exposure to losses. The regime imposes amongst others an obligation on the resolution authority and financial institutions to prepare resolution and recovery plans, authorises the resolution authority to assess the resolvability of a financial institution, and to address or remove impediments to resolvability. In the event that a financial institution becomes distressed, the new regime allows competent authorities, (in Finland, the FIN-FSA), to intervene and take early intervention measures with respect to the financial institution where the FIN-FSA considers that it is likely that the institution will not be able to meet the conditions of its authorisation or its other liabilities or infringes its capital adequacy requirements. Such measures include the power to require the financial institution to take measures referred to in its recovery plan and, if necessary, require the institution to convene its general meeting to approve any such measures requested by the FIN-FSA, require the institution to prepare a plan on the reorganisation of its debts as instructed by the FIN-FSA, and to require the institution to change its strategy, and/or the legal or administrative structure of the institution.

The resolution authority is vested with the power to implement resolution measures with respect to a financial institution where the resolution authority considers that the financial institution in question is failing or likely to fail, and where there is no reasonable prospect that any measures could be taken to prevent the failure of the institution and that the taking of the resolution measures is necessary to protect the significant public interest.

An institution will be considered as failing or likely to fail in the following circumstances: when it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances). Neither the Issuer nor any of the Member Credit Institutions have been classified as a systematically important institution domestically or globally or as otherwise a significant credit institution for the financial system in Finland by the FIN-FSA.

The powers set out in the Finnish Resolution Laws will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

The exercise of any resolution power or any suggestion of any such exercise could have a material adverse effect on the value of the Notes and could lead to holders of the Notes losing some or all of the value of their investment in the Notes. In particular, the exercise of the bail-in tool in respect of the Issuer and/or the Notes or any suggestion of any such exercise could materially adversely affect the rights of the holders of the Notes, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and could lead to holders losing some or all of the value of their investment in the Notes. The actual effect on holders of the Notes depends, among other things, on the nature and severity of the crisis.

#### ***Minimum requirement for own funds and eligible assets***

The BRRD (and consequently the Resolution Act) introduced the requirement for firms to meet the minimum requirement for own funds and eligible liabilities ("**MREL**") designed to ensure sufficient loss absorbing capacity to enable the continuity of critical functions without recourse to public funds. All institutions must meet an individual MREL requirement calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. Commission Delegated Regulation (EU) 2016/1450 provides for regulatory technical standards on criteria to be considered by resolution authorities when setting MREL on a firm-by-firm basis. Each resolution authority is required to make a separate determination of the appropriate MREL requirement for each resolution group within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution. The MREL requirement for each institution will be comprised of a number of key elements, including the required loss absorbing capacity of the institution (which will, as a minimum, equate to the institution's capital requirements under CRD IV, including applicable buffers), and the level

of re-capitalisation needed to implement the preferred resolution strategy identified during the resolution planning process.

Other factors to be taken into consideration by resolution authorities when setting the MREL requirement include: the extent to which an institution has liabilities in issue which are excluded from contributing to loss absorption or recapitalization; the risk profile of the institution; the systemic importance of the institution; and the contribution to any resolution that may be made by deposit guarantee schemes and resolution financing arrangements.

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

The Stability Authority has started gathering information from credit institutions in its direct jurisdiction. Based on the gathered information the Stability Authority is preparing individual resolution plans and decisions on eligible liabilities under MREL. The process and schedule of the planning and decision process varies between institutions.

Before the individual resolution plan for the Amalgamation has been made and all the BRRD related legislation and regulation proposals have been decided and implemented, there is no possibility to give any assurances as to the ultimate scope and nature of any resulting obligations, or the impact that they will have on the Issuer or the Group. The bank resolution planning of the Amalgamation has been initiated during 2017 by the Stability Authority. As the outcome of the process, the Stability Authority will determine the minimum requirement for own funds and eligible liabilities for the Amalgamation. The exact timing of the Stability Authority's decision is, as to date of this Base Prospectus, unknown.

In the current form of the MREL regulation, however, it is possible that the Issuer and/or other members of the Group may have to issue a considerable amount of additional MREL eligible liabilities in order to meet the new requirements within the required timeframes. If the Issuer or the Group were to experience difficulties in raising MREL eligible liabilities, it may have to reduce its lending or investments in other business operations.

***The domestic implementation of the Insolvency Hierarchy Directive creates a new asset class of "senior non-preferred" debt, and a specific ranking order for a credit institution's debt, which might affect the Issuer or the Notes***

The European Commission published on 12 December 2017 Directive (EU) 2017/2399 regarding the ranking of unsecured debt instruments in insolvency hierarchy (the "**Insolvency Hierarchy Directive**"). The Insolvency Hierarchy Directive creates a new category of "senior non-preferred" debt. The Issuer may need to amend its debt structure due to the new category of "senior non-preferred" debt, and such debt is likely more expensive for the Issuer compared to the issuance of the Notes due to the junior ranking of such "senior non-preferred" debt. Amendments to domestic legislation to implement the Insolvency Hierarchy Directive have entered into force in November 2018. Pursuant to the domestic implementation of the Insolvency Hierarchy Directive, credit institutions such as the Issuer have a specific debt ranking order in an insolvency situation. In addition, the amendment entitles credit institutions to agree on the ranking of non-preferred financial instruments in accordance with the EU legislation. Categorization as "senior non-preferred" debt requires a specific reference in the terms and conditions of a debt instrument. Until the domestic regulatory practice concerning the new ranking order is developed, it is uncertain how the amendment will affect the Issuer or the evaluation of the Notes.

***There may not be an active trading market for the Notes***

The Notes are new securities which may not be widely distributed and for which there may not be an active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Group. Although applications may be made for the Notes to be admitted to and traded on the Helsinki Stock Exchange,

there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

***The Notes may be redeemed prior to maturity***

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

***The completion of transactions relating to the Notes is dependent on Euroclear Finland Ltd.'s operations and systems***

The Notes are issued in the book-entry securities system of Euroclear Finland Ltd ("**Euroclear Finland**"). Pursuant to the Act on the Book-Entry System and Clearing and Settlement (749/2012, as amended), the Notes will not be evidenced by any physical note or document of title other than statements of account made by Euroclear Finland or its account operator. The Notes are dematerialised securities and title to the Notes is recorded and transfers of the Notes are effected only through the relevant entries in the book-entry system and registers maintained by Euroclear Finland and its account operators. Therefore, timely and successful completion of transactions relating to the Notes, including but not limited to transfers of, and payments made under, the Notes, depend on the book-entry securities system being operational and that the relevant parties, including but not limited to the payment transfer bank and the account operators of the Holders, are functioning when transactions are executed. Any malfunction or delay in the book-entry securities system or any failure by any relevant party may result in the transaction involving the Notes not taking place as expected or being delayed, which may cause financial losses or damage to the Noteholders whose rights depended on the timely and successful completion of the transaction.

The Issuer and third parties will not assume any responsibility for the timely and full functionality of the book-entry securities system. Payments under the Notes will be made in accordance with the laws governing the book-entry securities system, the rules of Euroclear Finland and the Terms and Conditions of the Notes. For purposes of payments under the Notes, it is the responsibility of each Noteholder to maintain with its respective book-entry account operator up to date information on applicable bank accounts.

***The value of the Notes may be adversely affected by movements in market interest rates***

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

Risks related to floating interest rate Notes (should such an instrument be issued by the Issuer) involves a risk that subsequent changes in the market interest rates may decrease the market value of the Notes until the date of the ongoing interest period in question.

***Change in credit rating***

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

***The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to such "benchmarks"***

The Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed to be "benchmarks" are the subject of recent EU, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a "benchmark".

Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and came into force on 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to a rate or index deemed to be a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to such "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmarks" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a "benchmark".

## GENERAL INFORMATION

### Responsibility statement

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The POP Bank Alliance accepts responsibility for the information on the POP Bank Alliance, the Amalgamation, and the Group. To the best knowledge of the POP Bank Alliance, having taken all reasonable care to ensure that such is the case, the information on the POP Bank Alliance, the Amalgamation, and the Group contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

### Auditors

The consolidated financial statements of the Issuer for the financial years ended 31 December 2017 and 31 December 2016 incorporated in this Base Prospectus by reference have been audited by Johanna Gråsten, Authorised Public Accountant, KPMG Oy Ab. The business address of the auditor and the KPMG Oy Ab is Töölönlahdenkatu 3 A, 00100 Helsinki.

The consolidated financial statements of the Group for the financial years ended 31 December 2017 and 31 December 2016 incorporated in this Base Prospectus by reference have been audited by Johanna Gråsten, Authorised Public Accountant, KPMG Oy Ab. The business address of the auditor and the KPMG Oy Ab is Töölönlahdenkatu 3 A, 00100 Helsinki.

### Special cautionary notice regarding forward looking statements

Certain statements in this Base Prospectus, including but not limited to certain statements set forth under the captions “*Risk Factors*”, “*Information on Bonum Bank Plc*” and “*Information on the Group and the Amalgamation*” are based on the beliefs of the Issuer’s management as well as assumptions made by and information currently available to it, and such statements may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Issuer, of the Amalgamation, or of the Group, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among other things, the risks described in the section “*Risk Factors*”. The forward-looking statements are not guarantees of the future operational or financial performance of the Company. In addition to factors that may be described elsewhere in this Base Prospectus, the factors discussed under “*Risk Factors*” could cause the Issuer’s, the Amalgamation or the Group’s actual results of operations or their financial conditions to differ materially from those expressed in any forward-looking statement. Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Issuer’s, the Amalgamation, or the Groups actual results of operations, their financial conditions or the Issuer’s ability to fulfil its obligations under the Notes could differ materially from those described herein as anticipated, believed, estimated or expected. The Issuer does not intend and does not assume any obligation to update any forward-looking statements contained herein unless required by applicable legislation. For additional information that could affect the results, performance or achievements of the Issuer, see “*Risk Factors*”.

### No incorporation of website information

This Base Prospectus will be published on Bonum’s website at [http://www.bonumpankki.fi/fi\\_FI/ForInvestors/](http://www.bonumpankki.fi/fi_FI/ForInvestors/). However, the contents of Bonum’s website (excluding the Base Prospectus, any supplements thereto, the Final Terms and the documents incorporated by reference) or any other website do not form a part of this Base Prospectus, and prospective investors should not rely on such information in making their decision to invest in the Notes.

### Public offer selling restriction under the Prospectus Directive

Each Lead Manager appointed under the Programme will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus, as completed by the Final Terms in relation thereto, to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of the Insurance Mediation Directive (Directive 2002/92/EC (as amended)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) if the Notes have a denomination of less than 100,000 euro (or its equivalent in another currency), not a qualified investor as defined in Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the “**Prospectus Directive**”); and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

### Notice to prospective investors in the United Kingdom

In the United Kingdom, this Base Prospectus may be distributed only to, and may be directed at, (a) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on this document or any of its contents.

### Notice to prospective investors in the United States, Australia, Canada, Japan, Hong Kong, South Africa and certain other jurisdictions

No offering will be made to persons who are residents of the United States, Australia, Canada, Japan, Hong Kong or South Africa or in any jurisdiction in which such offering would be unlawful.

### Other information to subscribers

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances.

Investment in the Notes to be issued under the Programme involves certain risks. Prospective investors should carefully acquaint themselves with such risks before making a decision to invest in the Notes. The principal risk factors that may affect the Issuer’s ability to fulfil its obligations under the Notes are discussed under “*Risk Factors*”.

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

### Secondary market of the Notes

If the Final Terms indicate that a Series of Notes will be listed, the application for stock listing shall be delivered to the Helsinki Stock Exchange provided that the subscribed amount of the Notes in such Series of Notes is 200,000 euros at minimum. Additional issues of a listed Series of Notes shall be notified as amendments to the amount of the previously issued listed Notes.

**Effective yield of the Notes**

The effective interest yield percentage of the Notes shall be notified in the Final Terms. The effective yield of the Notes depends on the current issue rate and the interest paid on the Notes, increasing when the issue rate is decreased and decreasing when the issue rate is increased. The effective yield has been calculated by using the current value method, widely in use in the securities market.



## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and in relation to the terms and conditions of any particular Series of Notes, the applicable Final Terms.*

This general description of the Programme must be read together with the other information included in this Base Prospectus.

Issuer:	Bonum Bank Plc
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its respective obligations under the Notes are discussed under "Risk Factors".
Arrangers of the Programme:	Nordea Bank Abp and Danske Bank A/S, Finland Branch.
Lead Manager(s) of Tranche of Notes and possible other subscription places:	Defined in Final Terms of a Tranche of Notes.
Issuer Agent and Paying Agent:	Defined in Final Terms of a Tranche of Notes.
Maximum amount of the Programme:	750,000,000 euros.
Final Terms:	Notes issued under the Programme will be issued pursuant to this Base Prospectus and associated Final Terms. The terms and conditions applicable to any particular Tranche of Notes will be the General Terms and Conditions combined with the relevant Final Terms.
Form of the Notes:	The Notes are issued in book-entry form in the book-entry system of Euroclear Finland.
Note currencies:	Euro
Priority of the Notes	The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other senior unsecured obligations of the Issuer.
Listing:	The Notes can be applied for listing on the Helsinki Stock Exchange. Also unlisted Notes can be issued.
Term of the Notes:	A minimum of one year.
Interest:	Fixed interest or floating interest tied to a reference interest rate. Notes can also be issued as zero coupon notes which will be offered and sold at a discount to their nominal amount and will not bear interest.
Use of Benchmark	Amounts payable under the Notes are calculated by reference to EURIBOR to the extent floating interest is applicable according to the Final Terms. As at the date of this Base Prospectus, the administrator of EURIBOR is not included in the European Securities and Market Authority's register of administrators under Article 36 of the Benchmark Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that the administrator is not currently required to obtain authorizations or registration.

Redemption:	The nominal amount of the Notes.
Applicable law:	Finnish law.
Authorization:	<p>The establishment of the Programme was authorised by a duly convened meeting of the Board of Directors of the Issuer passed/given on 12 May 2016 and the update of the programme was authorised by a duly convened meeting of the Board of Directors of the Issuer passed/given on 22 October 2018. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.</p>
Credit rating:	<p>As at the date of this Base Prospectus, the Issuer has a long- and short-term counterparty credit ratings BBB/A-2 (S&amp;P). The outlook is stable. A Series of Notes to be issued under the Programme may be rated or unrated.</p> <p>There is no guarantee that the rating of the Issuer assigned by S&amp;P will be maintained following the date of this Base Prospectus or any Series of Notes is obtained or maintained, and the Issuer may seek to obtain ratings from other rating agencies.</p> <p>A rating is not a recommendation to buy or sell or hold Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Up-to-date information should always be sought by direct reference to the relevant rating agency.</p>

## GENERAL TERMS AND CONDITIONS OF THE PROGRAMME

*The following General Terms and Conditions of the Programme must be read in their entirety together with the relevant Final Terms for the relevant Notes.*

### 1. Notes and their form

Bonum Bank Plc (the “**Issuer**”) has established a 750,000,000 euros note issuance programme (the “**Programme**”) for the issuance of senior unsecured notes that (save for certain obligations required to be preferred by law) rank *pari passu* with the Issuer’s other senior unsecured commitments (the “**Notes**” and each, a “**Note**”). The Notes are issued in a series (each a “**Series**”). Each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. The terms and conditions of a Tranche of Notes are formed by combining these general terms and conditions (the “**General Terms and Conditions**”) and a document specific to such Tranche of Notes called final terms (“**Final Terms**”).

Notes can be issued to be subscribed for by institutional investors. No Notes can be issued to retail investors. The minimum subscription amount is at least EUR 100,000 and the denomination of a book-entry unit is at least EUR 100,000.

The Notes will be issued in the Infinity book-entry securities system of Euroclear Finland Oy, incorporated in Finland with Reg. No. 1061446-0, address Urho Kekkosen katu 5 C, FI-00100 Helsinki, Finland (“**Euroclear Finland**”) (or any system replacing or substituting the Infinity book-entry securities system in accordance with the Finnish laws, regulations and operating procedures applicable to and/or issued by Euroclear Finland for the time being (the “**Euroclear Finland Rules**”), in accordance with the Act on the Book-Entry System and Clearing and Settlement (749/2012, as amended) and other Finnish legislation governing book-entry system and book-entry accounts as well as the Euroclear Finland Rules. The registrar in respect of the Notes will be Euroclear Finland.

The issuer agent (in Finnish: *liikkeeseenlaskijan asiamies*) for a Series of Notes referred to in the regulations of Euroclear Finland as well as the issuer and paying agent of the Notes (the “**Issuer Agent**” and/or where applicable, the “**Paying Agent**”) are defined in the Final Terms. The Issuer may appoint one or more Lead Manager (the “**Lead Manager(s)**”) for a Tranche of Notes as specified in the Final Terms. The Issuer may appoint a calculation agent for a Series of Notes or the Issuer may act as the calculation agent, in each case as specified in the Final Terms.

Notes subscribed and paid for shall be entered to the respective book-entry accounts of the subscriber(s) on a date set out in the Final Terms in accordance with the Finnish legislation governing the book-entry system and book-entry accounts as well as the Euroclear Finland Rules. Each Note is freely transferable after it has been registered into the respective book-entry account.

### 2. Nominal value

The nominal amount of each book-entry unit relating to the Notes is defined in the Final Terms.

### 3. Maximum amount of the Notes and principal as well as currency

The total equivalent value of outstanding Notes issued under the Programme at one time can be a maximum of seven hundred and fifty million (750,000,000) euros. The Issuer may decide on raising or lowering the maximum amount.

The principal and the currency (euro) of a Series of Notes and the specific Tranche of Notes are defined in the Final Terms. The Issuer may decide on raising or lowering the aggregate principal of each Series and Tranche of Notes during the subscription period.

Each Series of Notes is numbered annually in numerical order. Each Tranche of Notes under each Series of Notes is numbered in numerical order.

#### **4. The term of the Notes and redemption**

The term of the Notes is at least one year from the issue date. The outstanding principal of the Notes is to be repaid on the Maturity Date as defined in the Final Terms. The principal of the Notes is to be repaid in instalments if so defined in the Final Terms. The business day convention defined in Final Terms is applicable to the Maturity Date. The redemption amount is the nominal amount of the principal. The redemption payment is to be paid according to Finnish law regarding the book-entry system and book-entry accounts and according to the rules and decisions of Euroclear Finland to the Noteholder, who is entitled to receive the payment according to the book-entry account information.

#### **5. Subscription of Notes**

##### **5.1 Subscription manner and subscription price and the payment of subscriptions**

Each Tranche of Notes is offered for subscription during the subscription period at the subscription places defined in the Final Terms of each Tranche of Notes. The Issuer may decide on shortening or lengthening the subscription period.

The subscription amount is the nominal value of the subscription multiplied by the issue price of the moment of subscription. When subscription takes place after the first interest period begins, as specified in the applicable Final Terms in accordance with Condition 9., the accrued unpaid interest in accordance with the Final Terms for the subscribed amount for the period between the beginning of the current interest period and the payment date of the subscription must also be paid (except in case of zero coupon notes).

When Notes are subscribed for on any other day than on an interest payment day but after the first interest payment day, the subscriber must pay the accrued interest for the period between the beginning of the current interest period and the subscription payment day.

None of the Issuer or the Lead Manager(s) does charge any fees or costs related to the issue or offering of the Notes from the Noteholders. Approved subscriptions are confirmed after the termination of the subscription period. Subscriptions are to be paid in a manner informed in the Final Terms. Subscriptions shall be paid for as instructed in connection with the subscription or at the time of the subscription, in each case as stipulated in the relevant Final Terms.

##### **5.2 Measures in oversubscription and under-subscription situations**

The Issuer has the right to determine separately on the measures in a situation of oversubscription and under-subscription of a Tranche of Notes. In the event of oversubscription, such measure may include, for example, reducing subscriptions in part or in whole. In case the minimum amount of subscriptions is not fulfilled (undersubscription), the issue of the Tranche of Notes may be cancelled. It can be stipulated in the Final Terms that the issue of a certain Tranche of Notes requires a defined minimum amount of subscriptions or fulfilment of another condition.

The Issuer has the right to raise the amount of an offered Series of Notes during the subscription period or to discontinue the subscription of Notes.

Notice of cancellation of the issue or suspension of the subscription due to oversubscription is available at the subscription places.

##### **5.3 Issue price**

The issue price of the Notes is fixed and is determined in the Final Terms.

##### **5.4 Subscriber's cancellation right and discontinuance of acceptance of subscriptions in certain cases**

If the Issuer, during the subscription period of Notes, or before the Notes have been admitted for public trading, supplements the Base Prospectus due to an error, deficiency or material new information in it or publishes a completely updated Base Prospectus during the above-mentioned period, a subscriber, who has made a subscription before the publication of a supplement or before the publication of the updated base prospectus, has the right, according to

Chapter 4 Section 14 of the Finnish Securities Markets Act (746/2012; hereinafter the “**Securities Markets Act**”), to cancel his subscription within at least two (2) Business Days from the publication of the supplement or the update. However, the cancellation right only exists if the error, deficiency or material new information arose or was noted before the delivery of the Notes to the subscribers in accordance with Condition 6 (*Delivery of Notes*) below. The supplemented Base Prospectus or a completely updated prospectus and information on the time limit for cancellation and the procedure relating to it are available at subscription places and on the Issuer’s website [http://www.bonumpankki.fi/fi\\_FI/ForInvestors](http://www.bonumpankki.fi/fi_FI/ForInvestors).

The Issuer has the right to discontinue the acceptance of subscriptions immediately when a need to supplement the Base Prospectus has become evident. The discontinuance will be announced in the subscription places.

## **6. Delivery of Notes**

Book-entries are registered in the book-entry account informed by the subscriber in a manner announced in connection with the subscription and during the time period defined in the Final Terms in accordance with Finnish law regarding the book-entry system and book-entry accounts and the Euroclear Finland Rules.

## **7. Security and guarantee**

No security or guarantee has been granted for the Notes.

## **8. Interest**

Either a fixed rate or floating rate interest based on a reference rate is paid from time to time on the outstanding principal of the Notes. Interest is paid on due dates of payment of interest defined in the Final Terms.

Notes can also be issued as zero coupon notes which will be offered and sold at a discount to their nominal amount and will not bear interest.

### **8.1 Fixed rate interest**

Annual interest, specified in the Final Terms, is paid on the outstanding principal of a Note to which this provision is applicable according to the Final Terms.

### **8.2 Floating reference rate interest**

Floating interest, which consists of a floating reference rate interest and a margin, is paid on the outstanding principal of a Note to which this provision is applicable according to the Final Terms.

The floating reference rate interest is EURIBOR which appears or appear, as the case may be, on the relevant screen page of a designated distributor (currently Thomson Reuters), or such replacement page on a service which displays the information, as at 11.00 a.m. (Brussels time) two (2) Business Days (as specified in the applicable Final Terms) prior to the beginning of the interest period. If the interest period does not correspond to any time period provided on the designated distributor’s page, the interest is calculated by interpolating the ratio of time with two reference interest rates closest to the above-mentioned interest period, between which the interest period settles.

If a EURIBOR quotation or a quotation replacing it is not available, a reference rate for the closest corresponding interest period agreed on by the Lead Manager(s) and the Issuer, and based on the prevailing EURIBOR interest rate level in Finland is used. The margin will be added to the reference rate.

### **8.3 Minimum and/or the maximum amount of interest**

A minimum or a maximum amount or both for the interest mentioned in Condition 8.2 (*Floating reference rate interest*) above, can be determined in the Final Terms.

## 9. Interest period

Interest period means each period of time, for which the interest is calculated. The first interest period begins on the issue date or on any other date as specified in the applicable Final Terms and ends on the following interest payment date specified in the Final Terms. Each following interest period begins on the previous interest payment date and ends on the following interest payment date. Interest accrues for each interest period including the first day of the interest period and excluding the last day of the interest period.

## 10. The Day Count Fraction

The Day Count Fraction applied to the Notes is defined in the Final Terms and it can be:

- (a) “**Actual/Actual (ICMA)**”, where the actual days of the interest period are divided by the number which is received by multiplying the actual days of the interest period with the amount of interest periods included in a year (possible irregular interest periods form an exception);
- (b) “**Actual/Actual (ISDA)**”, where the actual days of the interest period are divided on other years than leap years by 365 and on leap years by 366. If the interest period is only partially extended to a leap year, the interest period is divided into two parts, to which the previously explained principles will be applied and the total amount of interests are combined;
- (c) “**Actual/365**”, where the actual days of an interest period are divided by 365;
- (d) “**Actual/360**”, when the actual days of an interest period are divided by 360;
- (e) “**30E/360**” or “Eurobond rule”, where the interest year is combined of 12 months of 30 days each (however so, that when the last day of the last interest period is the last day of February, February is not changed to a 30 day month), which are divided by 360; or
- (f) “**30/360**”, where the interest year has 360 days and the interest month has 30 days.

## 11. Business Day Convention

The business day convention is defined in the Final Terms, according to which the interest payment date will be postponed if it is not a Business Day, by choosing one of the following:

- (g) “**Following**”, where the interest payment date is the nearest following business day,
- (h) “**Modified Following**”, where the interest payment date is the nearest following business day, except if the following business day is in the next calendar month, then the interest payment date is the previous business day,
- (i) “**Preceding**”, where the interest payment date is the previous business day.

The change of the payment date of the interest of a fixed interest note does not affect the amount of interest to be paid on the share of the note.

The change of the payment date of the interest of a floating interest note influences the length of the interest period and, by implication, the amount of the interest to be paid on the share of the note.

“**Business Day**” means a day when commercial banks and foreign exchange markets settle payments and are open for general business in Finland and the Trans-European Automated Real-Time Gross Settlement Express (TARGET 2) System is open.

## 12. Payment of interest

Interest is paid on the days which are defined in the Final Terms by applying the relevant business day convention mentioned therein. The payment is to be paid according to Finnish law regarding the book-entry system and book-entry accounts and according to the rules and decisions of Euroclear Finland to the Noteholder, who is entitled to receive the payment according to the book-entry account information.

## 13. Amalgamation Act Put Option

If at any time while any Note remains outstanding, either of the following events shall occur (each, as applicable, an “**AA Put Event**”):

- (i) an AA Event occurs and, if at the start of the AA Period, the Issuer is rated by any Rating Agency, a Rating Downgrade in respect of that AA Event occurs within such AA Period; or
- (ii) an AA Event occurs and, on the occurrence of the AA Event, the Issuer is not rated by any Rating Agency,

then any Noteholder will have the option (the “**AA Put Option**”) to require the Issuer to prepay or, at the Issuer’s option, to purchase or procure the purchase of that Note on the Optional Redemption Date (AA Put) (as defined below), at the principal amount of the Notes then outstanding, together with (or, where purchased, together with an amount equal to) accrued interest up to but excluding the Optional Redemption Date (AA Put) provided that an AA Put Event exists at the start of the Put Period.

Promptly upon the Issuer becoming aware that an AA Put Event has occurred, the Issuer shall give notice (an “**AA Put Event Notice**”) to the Noteholders in accordance with Condition 20 (*Notices*) below specifying the nature of the AA Put Event and the circumstances giving rise to it and the procedure for exercising the AA Put Option contained in this Condition 13 (*Amalgamation Act Put Option*).

The Issuer shall on the Optional Redemption Date (AA Put) (as defined below in this Condition 13 (*Amalgamation Act Put Option*)) prepay the nominal principal amount of and accrued interest on the Notes, but without any premium or penalty, held by the Noteholders who have required prepayment of the Notes held by them by a written notice to be given to the Issuer within the Put Period.

If Notes representing more than seventy-five (75) per cent of the aggregate nominal principal amount of the Notes have been prepaid pursuant to this Condition 13 (*Amalgamation Act Put Option*) on the Optional Redemption Date (AA Put), the Issuer is entitled to prepay also the remaining outstanding Notes at their nominal principal amount with accrued interest but without any premium or penalty by notifying the Noteholders in accordance with Condition 20 (*Notices*) below no later than fifteen (15) Business Days after the Optional Redemption Date (AA Put). Such prepayment may occur at the earliest on the tenth (10<sup>th</sup>) Business Day following the date of publication of such notice.

For the purposes of this Condition 13 (*Amalgamation Act Put Option*):

“**AA Event**” shall be deemed to have occurred (i) if the Amalgamation Act ceases to apply as a result of cancellation of the central institution’s licence granted to the Central Organisation or (ii) if the Issuer or any Material Entity withdraws (for the sake of clarity other than as a result of a merger or an equivalent transaction into another member of the Amalgamation) or is expelled from the Amalgamation (as provided in Section 8 of the Amalgamation Act);

“**AA Period**” means the period (i) commencing on the date that is the earlier of (A) the date of the AA Put Event Notice and (B) the date of the earliest Potential AA Event Announcement (as defined below), if any, and (ii) ending on the date which is the 120<sup>th</sup> day after the date of the first public announcement of the relevant AA Event (such 120<sup>th</sup> day, the “**Initial Longstop Date**”); **provided that**, unless any other Rating Agency has on or prior to the Initial Longstop Date effected a Rating Downgrade in respect of its rating of the Issuer, if a Rating Agency publicly announces, at any time during the period commencing on the date which is 60 days

prior to the Initial Longstop Date and ending on the Initial Longstop Date, that it has placed its rating of the Issuer under consideration for rating review either entirely or partially as a result of the relevant AA Put Event Notice or Potential AA Event Announcement, the AA Period shall be extended to the date which falls 90 days after the date of such public announcement by such Rating Agency;

**“Amalgamation”** means (a) the Central Organisation, (b) the companies belonging to the Central Organisation’s consolidation group, (c) the POP Banks which are member credit institutions of the Amalgamation, (d) the Issuer, (e) companies belonging to the POP Banks’ and the Issuer’s consolidation groups, as well as (f) such credit institutions, finance institutions and service companies where the institutions in (a) to (e) combined own more than half of the voting rights;

**“Material Entity”** means (a) the Central Organisation, (b) any entity acting on behalf of the Amalgamation (as a whole), or (c) one or more member(s) (taken the previous 12 months period) of the Amalgamation, in each case the gross assets of which represent more than 10 per cent. of the consolidated gross assets of the Group;

**“Optional Redemption Date (AA Put)”** means the fifteenth (15<sup>th</sup>) day after the date of expiry of the Put Period;

**“POP Banks”** refer to the following POP banks belonging to the Amalgamation from time to time, as at the date of the General Terms and Conditions: (1) Hannulan Osuuspankki, (2) Honkajoen Osuuspankki, (3) Isojoen Osuuspankki, (4) Jämijärven Osuuspankki, (5) Kannonkosken Osuuspankki, (6) Keuruun Osuuspankki, (7) Konneveden Osuuspankki, (8) Kosken Osuuspankki, (9) Kurikan Osuuspankki, (10) Kyrönmaan Osuuspankki, (11) Kyrön Seudun Osuuspankki, (12) Kyyjärven Osuuspankki, (13) Lammin Osuuspankki, (14) Lanneveden Osuuspankki, (15) Lappajärven Osuuspankki, (16) Lapuan Osuuspankki, (17) Lavian Osuuspankki, (18) Liedon Osuuspankki, (19) Nivalan Järvikylän Osuuspankki, (20) Piikkiön Osuuspankki, (21) Pohjanmaan Osuuspankki, (22) Reisjärven Osuuspankki, (23) Sievin Osuuspankki, (24) Siilinjärven Osuuspankki, (25) Suupohjan Osuuspankki, and (26) Tiistenjoen Osuuspankki;

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

**“Put Period”** means 45 days after the day on which the AA Put Event Notice is given by the Issuer;

**“Rating Agency”** means S&P Global Ratings or any other rating agency of equivalent international standing specified from time to time by the Issuer, and, in each case, their respective successors or affiliates; and

a **“Rating Downgrade”** shall be deemed to have occurred in respect of an AA Event if, within the AA Period, the long-term counterparty credit rating previously assigned to the Issuer by any Rating Agency is (i) withdrawn (for the sake of clarity other than as a result of a replacement of one Rating Agency with another Rating Agency) or (ii) changed from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade long-term counterparty credit rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or (iii) if such long-term counterparty credit rating previously assigned to the Issuer by any Rating Agency was below an investment grade rating (as described above), lowered by at least one full rating notch (for example, from BB+ to BB or their respective equivalents).

#### 14. Event of Default

If an Event of Default (as defined below) occurs, any Noteholder of the relevant Series of Notes may by a written notice to the Issuer declare the principal amount of such Note together with the interest then accrued on such Note to be due and payable at the earliest on the 10th



day from the date such claim was presented provided that an Event of Default exists on the date of receipt of the notice and on the specified early maturity date specified in such claim.

Each of the following events shall constitute an Event of Default:

- (j) **Non-Payment:** Any amount of interest on or principal of a Series of Notes has not been paid within seven (7) Business Days from the relevant due date, unless the failure to pay is caused by a reason referred to in Condition 17 (*Force Majeure*) below;
- (k) **Cross Default:** (Any outstanding Indebtedness is declared due or repayable prematurely by reason of an event of default (howsoever described); (i) the Issuer or any Material Entity fails to make any payment in respect of Indebtedness on the relevant due date as extended by any originally applicable grace period; (ii) any security given by the Issuer or any Material Entity in respect of such Indebtedness becomes enforceable by reason of an event of default; or (iii) the Issuer defaults in making any payment when due (as extended by any applicable grace period) under any guarantee in relation to such Indebtedness. However, no Event of Default will occur under (i) - (iii) above if the aggregate amount of such payment or Indebtedness is less than ten million (10,000,000) euros or its equivalent in foreign currency;

“**Indebtedness**” means for the purposes of these General Terms and Conditions, indebtedness (whether being principal, premium, interest or other amounts) in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit of the Issuer.

A Noteholder shall not be entitled to demand repayment under this sub-condition (b) if the Issuer has bona fide disputed the existence of the occurrence of an Event of Default under this sub-condition (b) in the relevant court or in arbitration as long as such dispute has not been finally and adversely adjudicated against the Issuer.

- (l) **Breach of other obligations:** The Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes, such default has a detrimental effect on the interests of the Noteholders and such default remains un-remedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer.
- (m) **Cessation of Business:** The Issuer or any Material Entity ceases to carry on its current business in its entirety.
- (n) **Winding-up:** An order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or any Material Entity.
- (o) **Insolvency:** (i) The Issuer or any Material Entity becomes insolvent or is unable to pay its debts as they fall due; (ii) the Issuer or any Material Entity makes a general assignment or an arrangement or composition with or for the benefit of its creditors; or (iii) an application is filed for it being subject to bankruptcy or re-organization proceedings, or for the appointment of an administrator or liquidator of any of the Issuer’s assets and such application is not discharged within 45 days.
- (p) **Unlawfulness:** It is or will become unlawful for the Issuer or any Material Entity to perform or comply with any of its obligations under or in respect of the Notes.
- (q) **Loss of licence:** Any necessary consent, approval, licence, order or other authority required at any time by the Issuer or any Material Entity to carry on its business, including inter alia, a banking licence, or the central institution licence granted to the Central Organisation under the

Amalgamation Act, is cancelled, suspended or revoked for any reason (for the sake of clarity other than as a result of a merger or an equivalent transaction into another member of the Amalgamation) by the Finnish Financial Supervisory Authority or such other relevant regulatory authority.

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

## 15. Noteholders' Meeting and Procedure in Writing

- a) The Issuer may convene a meeting of Noteholders (a “**Noteholders' Meeting**”) or request a procedure in writing among the Noteholders (a “**Procedure in Writing**”) to decide on amendments of these terms and conditions or other matters as specified below. Euroclear Finland and the Issuer Agent must be notified of a Noteholders' Meeting or a Procedure in Writing in accordance with the Euroclear Finland Rules.
- b) Notice of a Noteholders' Meeting and the initiation of a Procedure in Writing shall be published in accordance with Condition 20 (*Notices*) no later than ten (10) calendar days prior to the Noteholders' Meeting or the last day for replies in the Procedure in Writing. Furthermore, the notice or the initiation shall specify the time, place and agenda of the Noteholders' Meeting or the last day and address for replies in the Procedure in Writing (or if the voting is to be made electronically, instructions for such voting) as well as any action required on the part of a Noteholder to attend the Noteholders' Meeting or to participate in the Procedure in Writing. No matters other than those referred to in the notice of Noteholder's Meeting or initiation of the Procedure in Writing may be resolved upon at the Noteholders' Meeting or the Procedure in Writing.
- c) Only those who, according to the register kept by Euroclear Finland in respect of the Notes, were registered as Noteholders on the fifth (5th) Business Day prior to the Noteholders' Meeting or on the last day for replies in the Procedure in Writing on the list of Noteholders to be provided by Euroclear Finland in accordance with Condition 20 (*Notices*), or proxies authorized by such Noteholders, shall, if holding any of the principal amount of the Notes at the time of the Noteholders' Meeting or the last day for replies in the Procedure in Writing, be entitled to vote at the Noteholders' Meeting or in the Procedure in Writing and shall be recorded in the list of the Noteholders present in the Noteholders' Meeting or participating in the Procedure in Writing.
- d) A Noteholders' Meeting shall be held in Helsinki, Finland, and its chairman shall be appointed by the board of directors of the Issuer.
- e) A Noteholders' Meeting or a Procedure in Writing shall constitute a quorum only if two (2) or more Noteholders holding in aggregate at least fifty (50) per cent of the principal amount of the Series of Notes outstanding or one (1) Noteholder holding one hundred (100) per cent of the principal amount of the Series of Notes outstanding are/is present (in person or by proxy) in the Noteholders' Meeting or provide/provides replies in the Procedure in Writing. Any holdings of the Notes by the Issuer and any companies belonging to its Group are not included in the assessment whether or not a Noteholders' Meeting or a Procedure in Writing shall constitute a quorum.
- f) If, within thirty (30) minutes after the time specified for the start of the Noteholders' Meeting, a quorum is not present, any consideration of the matters to be dealt with at the Noteholders' Meeting may, at the request of the Issuer, be adjourned for consideration at a Noteholders' Meeting to be convened on a date no earlier than ten (10) calendar days and no later than forty-five (45) calendar days after the original Noteholders' Meeting at a place to be determined by the Issuer. Correspondingly, if by the last day to reply in the Procedure in Writing no quorum is reached, the time for replies may be extended as determined by the Issuer, however not less than ten (10) and no more than forty-five (45)

calendar days. The adjourned Noteholders' Meeting or the extended Procedure in Writing shall constitute a quorum if two (2) or more Noteholders holding in aggregate at least ten (10) per cent of the principal amount of the Series of Notes outstanding or one (1) Noteholder holding one hundred (100) per cent of the principal amount of the Series of Notes outstanding are/is present in the adjourned Noteholders' Meeting or provide/provides replies in the extended Procedure in Writing.

- g) Notice of an adjourned Noteholders' Meeting or the extension of the time for replies in the Procedure in Writing, shall be given in the same manner as notice of the original Noteholders' Meeting or the Procedure in Writing. The notice shall also state the conditions for the constitution of a quorum.
- h) Voting rights of the Noteholders shall be determined according to the principal amount of the Series of Notes held on the date referred to in Condition 15c) above. The Issuer and any companies belonging to its Group shall not hold voting rights at the Noteholders' Meeting or in the Procedure in Writing.
- i) Subject to Condition 15j) below, resolutions shall be carried by a majority of more than fifty (50) per cent of the votes cast.
- j) A Noteholders' Meeting or a Procedure in Writing is entitled to make the following decisions that are binding on all the Noteholders:
  - (i) to amend these terms and conditions of the Notes; and
  - (ii) to grant a temporary waiver on these terms and conditions of the Notes.

However, consent of at least seventy-five (75) percent of the aggregate principal amount of the outstanding Series of Notes is required to:

- (i) decrease the principal amount of or interest on the Series of Notes;
- (ii) extend the maturity of the Series of Notes;
- (iii) amend the requirements for the constitution of a quorum at a Noteholders' Meeting or Procedure in Writing; or
- (iv) amend the majority requirements of the Noteholders' Meeting or Procedure in Writing.

The consents can be given at a Noteholders' Meeting, in the Procedure in Writing or by other verifiable means.

The Noteholders' Meeting and the Procedure in Writing can authorise a named person to take necessary action to enforce the decisions of the Noteholders' Meeting or of the Procedure in Writing.

- k) When consent from the Noteholders representing the requisite majority, pursuant to Condition 15i) or Condition 15j), as applicable, has been received in the Procedure in Writing, the relevant decision shall be deemed to be adopted even if the time period for replies in the Procedure in Writing has not yet expired, provided that the Noteholders representing such requisite majority are registered as Noteholders on the list of Noteholders provided by Euroclear Finland in accordance with Condition 20 (*Notices*) on the date when such requisite majority is reached.
- l) A representative of the Issuer and a person authorized to act for the Issuer may attend and speak at a Noteholders' Meeting.
- m) Resolutions passed at a Noteholders' Meeting or in the Procedure in Writing shall be binding on all Noteholders irrespective of whether they have been present at the Noteholders' Meeting or participated in the Procedure in Writing, and irrespective of how and if they have voted.

- n) Resolutions passed at a Noteholders' Meeting or in the Procedure in Writing shall be notified to the Noteholders in accordance with Condition 20 (*Notices*). In addition, Noteholders are obliged to notify subsequent transferees of the Notes of the resolutions of the Noteholders' Meeting or the Procedure in Writing. Furthermore, Euroclear Finland must be notified of the resolutions passed at the Noteholders' Meeting or in the Procedure in Writing in accordance with the Euroclear Finland Rules.

The Issuer shall have the right to amend the technical procedures relating to the Notes in respect of payments or other similar matters without the consent of the Noteholders, a Noteholders' Meeting or a Procedure in Writing. For the sake of clarity, any resolution at a Noteholders' Meeting or in a Procedure in Writing, which extends or increases the obligations of the Issuer, or limits, reduces or extinguishes the rights or benefits of the Issuer, shall be subject to the consent of the Issuer.

## **16. Repurchases**

The Issuer or any of its subsidiary may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or cancelled.

## **17. Force majeure**

Neither the Issuer, the subscription place, the Issuer Agent, the Paying Agent nor the account operator is responsible for any damage arising out of:

- (s) an act of an authority, war or threat of war, revolt, civil disturbance, or any act of terror;
- (t) disturbance in postal or telephone traffic, electronic communication, or supply of electricity that is beyond the control of and that has an essential impact on the operations of the Issuer, other subscription place, the Issuer/Paying Agent or the account operator;
- (u) interruption or delay of action or measure of the Issuer, other subscription place, the Issuer/Paying Agent or the account operator that is caused by fire of equivalent accident;
- (v) strike or other industrial action which has an essential impact to the operations of the Issuer, other subscription place, the Issuer/Paying Agent or the account operator, even when it only concerns a part of the personnel of the above-mentioned entities and irrespective of whether the above-mentioned entities are involved in it or not;
- (w) an act of God (such as, but not limited to, fires, explosions, earthquakes, drought, tidal waves and floods); or
- (x) other equivalent force majeure or any similar reason that causes unreasonable difficulty for the operations of the Issuer, other subscription place, the Issuer/Paying Agent or the account operator.

## **18. Statute of limitations**

If a payment due and payable has not been demanded to be paid within three (3) years of its due date, the right to receive payment has lapsed.

## **19. Further Issues**

The Issuer may from time to time, without the consent of and notice to the Noteholders, create and issue further Tranches of Notes having the same terms and conditions as any of the Series of the outstanding Notes in all respects (or in all respects except for the first payment of interest on them, the issue price and/or the minimum subscription amount thereof) by increasing the principal amount of such Series of Notes or otherwise.

## **20. Notices**

All notices to Noteholders will be sent in writing, by mail, and addressed to such Noteholders at the address appearing in the register maintained by Euroclear Finland, and will be deemed to have been validly given on the fourth Business Day after the date such notice is mailed or otherwise sent in accordance with the Euroclear Finland Rules. In addition, as an alternative to the procedure described above, notices concerning the Notes may be published by way of a stock exchange release or an announcement published in a Finnish daily newspaper of national coverage selected by the Issuer.

The address for notices to the Issuer is as follows:

Bonum Bank Plc

Hevosenkenkä 3, 02600 Espoo, Finland

## **21. Other provisions**

The Issuer is entitled to, without the consent of a Noteholders' meeting under Condition 15 (*Noteholders' Meeting*) above, to make appropriate changes to the Final Terms if such changes do not weaken the position of the Noteholders. The Issuer must notify the Noteholders of the amendments to the Notes in accordance with Condition 20 (*Notices*) above.

Such changes can be for example:

- (f) changes resulting from the development of the book-entry system; or
- (g) correcting minor typing errors.

## **22. Right to receive information**

Notwithstanding any secrecy obligation, the Issuer shall, subject to the Euroclear Finland Rules and applicable laws, be entitled to obtain information of the Noteholders from Euroclear Finland and Euroclear Finland shall be entitled to provide such information to the Issuer. Furthermore, the Issuer shall, subject to the Euroclear Finland Rules and applicable laws, be entitled to acquire from Euroclear Finland a list of the holders of the Notes. Further, the Issuer may provide the FIN-FSA with the information of the Noteholders, if required by applicable laws.

## **23. Applicable law and jurisdiction**

The Notes and any non-contractual obligations arising out of or in connection herewith, are governed by, and will be construed in accordance with, Finnish law.

Any disputes relating to the Notes shall be settled in the first instance at the District Court of Helsinki (in Finnish: *Helsingin käräjäoikeus*).

If the claimant is a consumer, he/she may take legal action in a district court which has jurisdiction where he/she has a place of residence.

## FORM OF FINAL TERMS

### Terms and Conditions

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS:** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of the Insurance Mediation Directive (Directive 2002/92/EC (as amended)), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**[MiFID II product governance / Professional investors and ECPs only target market –** Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the Lead Manager(s) target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the Lead Manager(s) target market assessment) and determining appropriate distribution channels.]

These Final Terms have been drawn in accordance with Article 5, paragraph 4 of the Prospectus Directive of the EU (2003/71/EC) and they are to be read together with the General Terms and Conditions of the Programme included in the Base Prospectus regarding programme for the Issuance of Notes by the Bonum Bank Plc (the “**Issuer**”) dated [●] [and the supplement[s] to it dated [●] and [●]] (the “**Base Prospectus**”) (the “**Programme**”). Unless otherwise stated in these Final Terms, the General Terms and Conditions of the Programme shall apply.

The complete information regarding the Issuer and the Notes can be found in the Base Prospectus, including documents incorporated into it by reference, and in these Final Terms.

The Base Prospectus [ , the supplement[s] dated [●] and [●]] and the Final Terms are available at the web page of the Issuer at [http://www.bonumpankki.fi/fi\\_FI/ForInvestors](http://www.bonumpankki.fi/fi_FI/ForInvestors) and at request from the Issuer or at the subscription places mentioned in the Final Terms.

[EVEN THOUGH THE AMOUNT TO BE REPAID IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE NOTES IS THE NOMINAL VALUE OF THE NOTES, THE INVESTOR MAY LOSE PART OF THE SUBSCRIPTION PRICE, IF THE NOTES ARE SUBSCRIBED ABOVE NOMINAL VALUE AND THE AMOUNT OF THE SUBSCRIPTION FEE, IF APPLICABLE.]

Name and number of the Series of Notes:	[●]
Notes and their form:	Senior unsecured notes.
Tranche number:	[●] / [Not applicable]
Lead Manager(s):	[Name and Address]
Subscription place(s) of this [Series of Notes / Tranche of Notes]:	[Name and Address / Not applicable]
Issuer Agent [and Paying Agent]:	[Name and Address]

[Calculation Agent]	[Name and Address] / [The Issuer acts as the calculation agent]
Interests of the Lead Manager(s)/other subscription place/other parties taking part in the issue:	[The customary sector connected commercial interest / possible other interest]
Principal and currency of the Notes:	[EUR] [●] / [EUR] [●]. [Final Principal is to be confirmed by the Issuer]
Number of book-entry units:	[●]
Priority of the Notes:	The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other senior unsecured obligations of the Issuer.
Form of the Notes:	Book-entry securities of Euroclear Finland's Infinity book-entry security system
Denomination of book-entry unit:	[●]
The minimum amount of Notes to be offered for subscription:	[●]/ [Not applicable]
Subscription fee:	[The Lead Manager(s) [and potential other subscription places] do not charge the costs related to issuing the Notes from the Noteholders / [●] charges [●] from the Noteholders as a cost related to offering the Notes]
Payment of subscription:	[Subscriptions shall be paid for as instructed in connection with the subscription] / [The subscription shall be paid at the time of the subscription]
Issue date:	[●]
Issue price:	The issue price is fixed: [●]
Amount and manner of redemption:	The nominal amount of principal of the Note  [The Notes will be repaid in one instalment on the Maturity Date.] [The Notes will be repaid in several instalments [define the amounts of the instalments]. On the Maturity Date, the Notes then outstanding will be repaid in full.]
Maturity Date:	[●]
Interest:	[Define here, if the Notes are so-called zero-coupon Notes, or which general note terms, either Condition 8.1 (Fixed interest rate) or Condition 8.2 (Floating reference interest rate), is applied and include required details as follows:

	Condition 8.1 (Fixed interest rate):
	Interest rate [●]
	[The date when the first interest period starts, if not the same as the issue date]
	Interest payment date(s) [●] each year commencing on [ ] until the Maturity Date
	Condition 8.2 (Floating reference interest rate):
	EURIBOR of [●] months
	Margin [●]
	[The date when the first interest period starts, if not the same as the issue date]
	Interest payment date(s): [●] each year commencing on [●] until the Maturity Date.
Day Count Fraction	[Actual/Actual (ICMA / ISDA); Actual/365; Actual/360, Eurobond rule or 30/360] / [Not applicable]
Minimum/maximum amount of interest:	[Applicable / Not applicable. If applicable, define minimum/maximum amount]
Business day convention:	[Following / Modified Following / Preceding], [adjusted] / [unadjusted]
Business day:	a day on which Helsinki and TARGET2 is operating.
Delivery of book-entry securities:	The time when the book-entry securities are recorded in the book-entry security accounts specified by the subscribers is estimated to be [●]
Relevant benchmark[s]	[EURIBOR is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation] / [Not Applicable]
ISIN code of the Series of Notes:	[●]



## Other Information

This information of the Series of the Notes is presented in connection with the issue of each Series of Notes.

Decisions and authority based on which Notes are issued:	[Based on the authorization dates [●] of the Issuer's board of director's / Based on the resolution of the Issuer's board or directors dated on [●]]
Nature of the issue:	So-called single issue /series of issues which is / is not offered to the public.
Subscription period:	[●]
Condition for executing the issue:	[●] / [Not applicable]
Yield:	The effective interest yield to the investor on the issue date, when the issue price is 100 per cent, is [●] per cent / [zero coupon]
An estimate of the principal accruing to the Issuer under the Notes and the planned use of proceeds:	[●] per cent of the principal of the Notes, at maximum. The Notes are a part of the funding of the Issuer.
Credit rating of the Notes:	[●] / [Not applicable] / [The Notes are expected to be rated [●] by [●]]
Listing:	[Shall] / [Shall not] be applied for listing on the Helsinki Stock Exchange]
Estimated time of listing:	[●]/ [Not applicable]

In Helsinki, on [date]

BONUM BANK PLC

## Taxation in Finland

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, and prospective subscribers of Notes should consult their own tax advisers as to the tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes under the individual circumstances and laws applicable to each subscriber. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law and / or tax practice that may take place also retroactively.*

The Issuer shall withhold the Finnish taxes imposed on the interest paid, to the extent required by the relevant tax laws, practices and tax authorities' regulations and instructions in force from time to time.

### *Finnish Resident Individuals and Estates*

Unless otherwise indicated in the following paragraph, a tax at source, in accordance with the Act on Tax at Source of Interest Income (1341/1990, as amended), has to be withheld from the interest paid to natural persons resident in Finland for tax purposes and Finnish estates of deceased persons. The tax at source is currently 30 per cent of the amount of interest paid.

The Act on Tax at Source of Interest Income is not applicable, *inter alia*, if a prospectus does not have to be prepared with respect to the notes due to (1) ) the notes being offered for a consideration of less than EUR 100,000 per investor and for each separate offer or in denomination of less than EUR 100,000 per unit; (2) the offer being addressed solely to qualified investors as defined in the Finnish Securities Markets act (746/2012, as amended); or (3) the offer being addressed in each country belonging to the EEC to a maximum number of under 150 investors who are not qualified investors as defined in the Finnish Securities Markets Act, even if the notes are issued, e.g. under the a base programme. When the Act on Tax at Source of Interest Income is not applicable, a tax withholding at the current rate of 30 per cent is operated from the interest paid to natural persons resident in Finland for tax purposes and Finnish estates of deceased persons in accordance with the Act on Tax Withholding (1118/1996, as amended). Interests are subject to final taxation as capital income in accordance with the Income Tax Act (1535/1992, as amended). The tax rate applicable to taxable capital income of up to 30,000 euros is 30 per cent and for the amount exceeding this threshold, 34 per cent.

Taxable capital gains and losses are calculated as the difference between the sales proceeds and the aggregate of the actual acquisition cost and the sales related expenses. When calculating capital gains, Finnish resident individuals and estates may choose to apply the so-called presumptive acquisition cost instead of the actual acquisition cost. The presumptive acquisition cost is 20 per cent of the sales proceeds, or 40 per cent if the Notes have been held by the Finnish resident individual or estate for a period of at least ten years. If the presumptive acquisition cost is applied, sales related expenses are not deductible

Possible capital gains received from disposal of the Notes are subject to final taxation as capital income in accordance with the Income Tax Act. Capital gains are exempted from tax if the total amount of the sales prices of all assets disposed by a taxpayer do not exceed 1,000 euro in a tax year (excluding tax-exempt disposals and disposals of ordinary household effects or other corresponding assets utilized for the personal use). The possible capital loss is deductible from other capital income the year during which the sale took place and during five subsequent tax years. Capital losses are similarly not tax deductible if the total amount of the acquisition prices does not exceed 1,000 euro in a tax year.

Should Notes be sold prior to maturity, any accrued and unpaid interest (secondary market compensation, in Finnish "*jälkimarkkinahyvitys*") is taxable as capital income in accordance with the Income Tax Act. The Issuer or paying agent shall withhold the tax from the secondary market compensation received in accordance with the Act on Tax Withholding as described above concerning interests.

When purchasing notes in the secondary market, the secondary market compensation paid is a deductible item in capital income taxation and, if the deductions exceed the amount of capital income, in earned income taxation to the limited extent allowed in the Income Tax Act.

The Issuer or paying agent reports the secondary market compensation paid to the Finnish tax authorities. Inter alia, credit institutions, investment service companies and account holders generally report to the Finnish tax authorities also the information regarding the sale and other transfers of notes. Information on

secondary market compensation received by an investor and information on possible capital gains or losses stated on the investor's pre-completed tax return must be verified and, when necessary, corrected.

#### *Finnish Resident Corporate Bodies*

Interest is generally taxable income to corporate bodies and subject to final taxation as corporate income in accordance with the Business Income Tax Act (360/1968, as amended) or the Income Tax Act, and such interest is not subject to any preliminary withholding tax. The current rate of corporate income tax is 20 per cent.

Capital gains and possible secondary market compensation are also subject to final taxation as corporate income in accordance with the Business Income Tax Act or the Income Tax Act, at the corporate income tax rate of 20 per cent.

The deductibility of capital losses derived from the disposal of the Notes depends on whether they are taxed under the Business Income Tax Act or the Income Tax Act. Capital losses taxable under the Business Income Tax Act are generally deductible from a corporate body's income taxable under the Business Income Tax Act in the same tax year and the ten subsequent tax years, whereas capital losses under the Income Tax Act are only deductible from capital gains taxable under the Income Tax Act on the year of the sale and during five subsequent tax years.

#### *Non-residents*

Payments made by or on behalf of the Issuer to persons not resident in Finland for tax purposes and who do not engage in trade or business through a permanent establishment or a fixed place of business in Finland are not taxable in Finland, and may be made without tax withholding.

#### *Transfer Tax*

Generally the transfer tax amounting 1.6 per cent is payable on transfers of the securities. However, the Notes should not be classified as securities within the meaning of Finnish Transfer Tax Act (29.11.1996/931, as amended) (the Finnish Transfer Tax Act) and, thus, transfer tax should not be payable, provided that the yield of Notes is not determined by the profit of the Issuer or by the amount of dividend or otherwise is deemed to entitle to the share of annual profit or surplus of the Issuer.

No transfer tax is generally payable in Finland on transfers or sales of the securities admitted to trading on the regulated market or other multi-lateral trading facility.

### **USE OF PROCEEDS**

The proceeds of the issue of each Series of Notes will be used by the Bank for general corporate purposes including to act as a central credit institution of the Amalgamation for funding of the POP Banks.

## INFORMATION ON BONUM BANK PLC

Bonum Bank Plc (formerly known as ACH Finland Oyj) was established for an indefinite period on 12 May 2008 in Espoo. ACH Finland Oyj was renamed ACH Finland Oy on 20 July 2010 and further renamed Bonum Bank Ltd on 23 December 2013. The corporate form of the Bank was changed from a limited liability company to a public limited company on 6 April 2016. The Bank's registration number in the Finnish Patent and Registration Office is 2192977-5 and its domicile is in Espoo, therefore Finnish legislation applies to the Bank. The Bank's accounting period is one calendar year. The Bank's registered address is Bonum Bank Plc, Hevosenkä 3, 02600 Espoo, Finland and its telephone number is +358 10 4233710.

The Bank is a fully owned subsidiary of the POP Bank Alliance (see section "*The Bank as a Part of POP Group*").

The Bank's long-term senior debt has been rated BBB (with stable outlook) by S&P. S&P is established in the EEA and registered under the CRA Regulation.

According to Article 2 of its Articles of Association, the Bank engages in the business operations set forth in the Credit Institutions Act. The Bank does not provide investment services as defined in Chapter 1 Paragraph 11 of the Finnish Act on Investment Services (14.12.2012/747, as amended) (in Finnish: *sijoituspalvelulaki*). The Bank was granted a credit institution license on 19 December 2013 by the FIN-FSA.

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

### Description of operations

#### *Main operating areas and main markets*

The Bank has been the central credit institution of the POP Banks since 7 February 2015, and as a commercial bank it engages in the business operations set forth in the Credit Institutions Act. As at the date of this Base Prospectus, the Bank is responsible for all the central credit institution services needed by the POP Banks. By developing the services, the Bank strives to strengthen the business operations and cost efficiency of the POP Banks, enabling healthy and profitable growth.

In addition to the central credit institution services, the Bank issues and maintains POP Bank customers' payment cards and card credit under the Visa brand. The Bank is also responsible for the transfer of the POP Banks' Single Euro Payments Area (SEPA) payments.

The Bank also provides special loan support services related to loans granted from government funds or loans with state guarantees or interest subsidies. The Bank reports loans centrally to the various authorities and handles the related money transactions, transfers between financial institutions and deferrals of payment on behalf of the POP Banks.

In December 2015, the Bank became a member of the POP Bank Alliance and part of the Amalgamation. Within the Amalgamation, the Bank is responsible for external wholesale funding of the Group, both in Finland and internationally.

As at 30 June 2018, the Bank had 22 employees.

### The Bank as a Part of POP Group

The Bank is the most significant and fully owned subsidiary of POP Bank Alliance.

In accordance with applicable law, the Group comprises (a) the POP Bank Alliance as the Group's central institution, (b) POP Banks, the 26 independent co-operative banks, (c) the Issuer as central credit

institution, (d) credit institutions, financial institutions and service companies in which entities included in the Amalgamation jointly hold a control of over 50 per cent. The Group differs from the Amalgamation in that the Group also includes other institutions apart from credit and finance institutions and service companies. The most notable of these are POP Holding Ltd and Finnish P&C Insurance Ltd.

The Issuer is part of the Amalgamation together with the POP Bank Alliance, POP Banks and those entities amalgamated with it from time to time pursuant to the Amalgamation Act.

The Amalgamation's operations are covered by the Amalgamation Act and the POP Bank Alliance's bylaws. Primarily, the members of the Amalgamation carry out their business independently within the scope of their resources, and thus the Issuer and the other members of the Amalgamation are primarily responsible for their own obligations. However, the Amalgamation Act prescribes that the POP Bank Alliance must pay to each Member Credit Institution an amount that is necessary in order to prevent such Member Credit Institution's liquidation and the POP Bank Alliance is responsible for the payments of any debts of a Member Credit Institution that cannot be paid using such Member Credit Institution's own funds. At the same time, a Member Credit Institution must pay to the POP Bank Alliance a proportionate share of the amount which the POP Bank Alliance has paid either to another Member Credit Institution as part of the support action described above, or to a creditor of such Member Credit Institution as payment of a due debt for which the creditor has not received payment from its debtor. The amount paid in accordance with the joint liability is divided between the liable parties in proportion to their last confirmed balance sheets. For more information on the joint liability, see "*The Amalgamation Act – Joint liability of the Amalgamation*".

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

## **Future Outlook**

The following is stated in the Issuer's half-year report for the period 1 January–30 June 2018:

"Bonum Bank's role as the provider of services for the banks in the amalgamation is strengthening. Digitalisation of the banking business and requirements concerning e.g. real-time payments will show in the development of Bonum Bank's services during the second half of the year.

Full-year result is expected to be positive. On the reporting period, Bonum Bank had some nonrecurring items that are not expected during the second half of the year."

## **Management of the Bank**

The Bank's highest decision-making authority rests with the annual general meeting (the "**General Meeting**"). However, according to Chapter 5, Subsection 1(2) of the Finnish Limited Liability Companies Act, the POP Bank Alliance, as the only shareholder of the Bank, may make a unanimous shareholders' decision in a matter within the competence of the General Meeting without holding a meeting. The operational decision-making authority is exercised by the board of directors (the "**Board of Directors**") which is formed by election in the General Meeting.

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

## **Board of Directors of the Bank**

It is the duty of the Board of Directors to attend to the Bank's and its subsidiaries' administration, ensure the appropriate arrangement of its operations and supervise the Bank's accounting and financial management. The Board of Directors has general competence to decide on all matters related to the Bank's management and other issues, which, according to legislation or to the Bank's articles of association, are not the domain of the General Meeting, or the CEO. The Board of Directors decides on the Bank's strategy and main business objectives and also confirms the management structure and policies.

At the date of this Base Prospectus, the Chairman and members of the Board of Directors were:

**Pekka Lemettinen** (born 1972) has been a member of the Bank's Board of Directors since 2017 and the Chairman of the Bank's Board of Directors since 2018. Mr. Lemettinen has been the Chairman of the Board of Finnish P&C Insurance Ltd since 2017 and a member of the Board of Oy Samlink Ab since 2017. Mr. Lemettinen has been the CEO of the Pop Bank Alliance since 2017, the CEO of Finnish P&C Insurance Ltd in 2014-2017 and the COO of Finnish P&C Insurance Ltd in 2011-2014. Mr. Lemettinen holds a BBA degree.

**Hanna Linna** (born 1982) has been a member of the Bank's Board of Directors since 2016 and the Deputy Chairman of the Bank's Board of Directors since 2017. Ms. Linna has been the CEO of Pohjanmaan Osuuspankki since 2016 and the CEO of Lappajärven Osuuspankki in 2014-2016. Ms. Linna has practised as Legal Officer in Reisjärven Osuuspankki 2008-2014. Ms. Linna holds a Master of Law degree (trained on the bench).

**Mikael Zilliacus** (born 1960) has been a member of the Bank's Board of Directors since 2015. Mr. Zilliacus has practised as Legal Officer in Suupohjan Osuuspankki 1989-2010. Mr. Zilliacus has been Chief Legal Officer of Suupohjan Osuuspankki since 2010 and the deputy CEO of Suupohjan Osuuspankki since 2012. Mr. Zilliacus has been member of the Supervisory Board of Veritas Pension Insurance since 2014 and deputy Board member of the POP Bank Alliance 2013-2015. Mr. Zilliacus holds a Master of Law degree (trained on the bench).

**Arvi Helenius** (born 1981) has been appointed as a member of the Bank's Board of Directors in October 2018. Mr. Helenius has practised as the Chief Legal Officer of POP Bank Alliance since 2017. Mr. Helenius has been Chief Legal Officer of Finnish P&C Insurance Ltd in 2014-2017 and prior to that practised as Leading Legal Counsel of Finnish P&C Insurance Ltd and POP Holding Ltd 2011-2013. Mr. Helenius holds a Master of Law degree.

The business address of each of the members of the Board of Directors and the Bank is Hevosenkenkä 3, 02600 Espoo, Finland. **CEO of the Bank**

The Board of Directors appoints the CEO of the Bank. The duty of the CEO is to administer the Bank's day-to-day administration in accordance with the rules and regulations set by the Board of Directors.

The Bank's Board of Directors has started a recruitment process for the new CEO. Anders Dahlqvist resigned from his position as the CEO in January 2018 and Marjo Orrenmaa, who was nominated as an interim CEO, resigned thereafter.

Kirsi Salo, who has previously acted as Chairman of the Board of the Bank, has been nominated as an interim CEO of the Bank in January 2018. Ms. Salo will act as an interim CEO until the recruitment process for the new CEO has been completed.

The business address of the CEO and interim CEO is Hevosenkenkä 3, 02600 Espoo, Finland.

### **Conflicts of Interests**

Except for the joint liability under the Amalgamation Act, there are no conflicts of interest between the duties of the members of the Bank's Board of Directors, the CEO and the Deputy CEO to the Bank and their other duties and private interests.

### **Ownership**

As at the date of this Base Prospectus, the POP Bank Alliance held 100.00 per cent. of Bonum Bank Plc's shares and 100.00 per cent. of the votes. As at the date of this Base Prospectus, entities belonging to the Group own 100.0 per cent. of the shares and hold 100.00 per cent. of the votes of the POP Bank Alliance.

## **Auditors**

The consolidated financial statements of the Issuer for the financial years ended 31 December 2017 and 31 December 2016 incorporated in this Base Prospectus by reference have been audited by Johanna Gråsten, Authorised Public Accountant, KPMG Oy Ab. The business address of the auditor and the KPMG Oy Ab is Töölönlahdenkatu 3 A, 00100 Helsinki.

## **Material Contracts**

There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in Bonum being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Noteholders.

## **Legal Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), during the previous 12 months which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

## **No significant changes**

The most recent audited annual report of the Bank concerns the financial year that ended on 31 December 2017. Since that date the financial position of the Bank has not changed significantly and there has not been any significant negative change regarding the future developments.

## **Recent Events**

On 22 October 2018, the Board of Directors of the Bank resolved on the update of a EUR 750 million Programme under which the Bank may from time to time issue senior and unsecured notes.

On 22 October 2018, the Bank updated a EUR 150 million credit note programme under which the Bank may issue short-term credit notes (less than 12 months maturity).

The Board of Directors of the Bank is not aware of any other factors which would materially influence the financial position of the Bank after the completion of the half-year report for the period 1 January – 30 June 2018.

## **The interests of the Arrangers, Lead Manager(s) and possible other subscription places**

Customary business interests in the financial market.

## **Credit Rating of the Issuer and the Notes**

As at the date of this Base Prospectus, the Issuer has a long- and short-term counterparty credit ratings BBB/A-2 by S&P Global Ratings ("S&P"). The outlook is stable.

Series of Notes to be issued under the Programme may be rated or unrated. Where a Series of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Issuer or to Notes already issued (if applicable). Whether or not a credit rating applied for in relation to a relevant Series of Notes will be issued by a credit rating agency established in the EEA and registered under the CRA Regulation will be disclosed in the Final Terms.

ESMA is obliged to maintain on its website, <http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within five working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. Therefore, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.



## Accounting policies

The Issuer's audited financial statements for 1 January – 31 December 2017 and 1 January – 31 December 2016 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 Issuer's unaudited half-year report for 1 January – 30 June 2018 has been prepared in accordance with IAS 34 Interim Financial Reporting and the accounting policies presented in the Issuer's IFRS financial statements 31 December 2017.

The Issuer has applied the standard IFRS 9 Financial Instruments (“**IFRS 9**”) from 1 January 2018. The standard has not been applied retrospectively, so comparative figures have not been restated and are mainly presented according to IAS 39 Financial Instruments: Recognition and Measurement. The accounting policies of the Issuer have been presented in note 1 of the Issuer's half-year financial report for 1 January - 30 June 2018 and financial statements for 1 January – 31 December 2017 incorporated herein by reference.

The introduction of IFRS 9 on 1 January 2018 and the reclassification of financial assets decreased the Issuer's total equity capital by EUR 369 thousand compared to 31 December 2017. The Issuer's total equity amounted to EUR 31,601 thousand as at 1 January 2018 (EUR 31,970 thousand as at 31 December 2017).

## INFORMATION ON THE GROUP AND THE AMALGAMATION

### General

The 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 Group emphasize the development of the customer experience. In addition to retail banking services, the Group offers non-life insurance services to private customers.

The POP Bank Alliance was authorised by the FIN-FSA to function as the central institution of the Amalgamation on 14 December 2015. The Amalgamation began its operations on 31 December 2015. In accordance with the Amalgamation Act, the central institution (i.e. the POP Bank Alliance) 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 operational segments of the Group are banking and insurance. At the end of 2017, the Group had 718 employees (2016: 741), of whom 539 (2016: 565) in banking, 116 (2016: 116) in non-life insurance and 63 (2016: 60) in other functions. The strategy of the Group emphasises the development of the customer experience through the digitalisation of services and functions. The strategy is based on the transition of the financial sector, as well as on changes in customer behaviour and customer expectations. The objective of the change is a seamless, channel-independent customer experience.

The 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 and the POP Bank's Guarantee Fund in 1997–1998. The POP Bank Alliance's extraordinary cooperative meeting decided on 19 December 2014 to make an amendment to the rules of the POP Bank Alliance to establish the Amalgamation. The 26 POP Banks decided on the corresponding amendments to the banks' rules in spring 2015 and decided to join the Amalgamation. The Issuer also became a Member Credit Institution after it joined the POP Bank Alliance as its member in December 2015.

### The structure of the Group and the Amalgamation

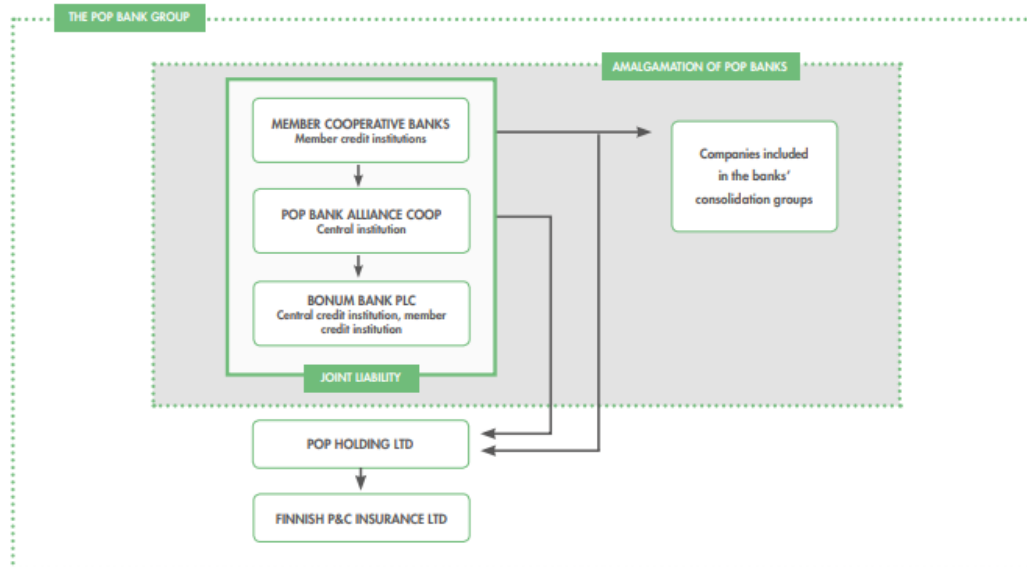
The Amalgamation comprises the POP Bank Alliance, which acts as the central institution of the Amalgamation, the 26 POP Banks (as at the date of this Base Prospectus), and the Issuer, as well as the companies within the consolidation groups of the above-mentioned entities. The POP Bank Alliance, the POP Banks and the Issuer share joint liability under the Amalgamation Act.

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

The operations of the Amalgamation are regulated by the European Union's regulations, national legislation and regulations issued by the authorities. The Credit Institutions Act, the Amalgamation Act, the Act on Cooperatives, the Act on Cooperative Banks and Other Credit Institutions in the Form of a Cooperative (*Laki osuuspankeista ja muista osuuskuntamuotoisista luottolaitoksista 14.6.2013/423*, as amended, (the "**Cooperative Bank Act**")), the Limited Liability Companies Act (*Osakeyhtiölaki 624/2006*, as amended) and the Act on Insurance Companies (*Vakuutusyhtiölaki 18.7.2008/521*, as amended) establish the main legal framework for cooperative banking applicable to the Group. In addition, the Amalgamation complies with good banking practice and policies concerning the processing of personal data in its operations. The Group does not constitute a company in the sense defined in the Accounting Act (*Kirjanpitolaki 1336/1997*) or a consolidated group as defined in the Credit Institutions Act. The POP Bank Alliance or its Member Credit Institutions do not exercise control pursuant to IFRS accounting standards on each other, and therefore no parent company can be determined for the Group.

The Group (entities shown in the green dash line below) is comprised of the Amalgamation and other institutions belonging to the Group. The Group differs from the Amalgamation in that the Group also includes other institutions apart from credit and finance institutions and service companies. The most notable of these are POP Holding Ltd and Finnish P&C Insurance Ltd. POP Bank's Guarantee Fund was dissolved in June 2016.

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



### The POP Banks

The POP Banks are independent, local deposit banks that are engaged in retail banking. The POP Banks offer banking services to household customers, small business customers and agriculture and forestry companies. The 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 the 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 rules of the bank in question.

At the end of 2017, the Group had 250,000 (2016: 249,000) banking customers and 104,000 (2016: 91,700) insurance customers. Of the banking segment's customers, 84.8 per cent. (2016: 84.4 per cent.) were private customers, 8.0 per cent. (2016: 7.9 per cent.) corporate customers and 3.8 per cent. (2016: 4.3 per cent.) agriculture and forestry customers.

At the end of 2017, the Group's banking segments assets totalled EUR 4,309.7 million (2016: EUR 4,271.2 million), deposits totalled EUR 3,560.2 million (2016: EUR 3,511.0 million) and the loan portfolio totalled EUR 3,327.9 million (2016: EUR 3,216.2 million).

At the end of 2017, the banking segment's earnings before taxes amounted to EUR 21.2 million (2016: EUR 29.8 million), a decrease of 29.1% on the previous financial year. The decrease was due to non-recurring income recognised in other operating income during the comparison period; no corresponding income was recognised for the period under review. The cost/ income ratio was 0.72 (2016: 0.65).

At the end of 2017, the net operating income totalled EUR 108.9 million (2016: EUR 115.1 million). Despite the challenging interest rate environment, net interest income remained at the level of the previous year, totalling EUR 62.8 million (2016: EUR 62.7 million). During 2017, the banking segment's net commission income and expenses also remained at the level of the previous year, EUR 28.7 million (2016: EUR 28.5 million). At the end of 2017, the net trading income amounted to EUR 0.3 million (2016: EUR 0.55 million) and net investment income increased to EUR 13.7 million from the previous financial year's EUR 7.1 million.

During 2017, the other operating expenses amounted to EUR 82.7 million (2016: EUR 78.6 million). Personnel expenses amounted to EUR 29.8 million (2016: 30.1 million), a slightly lower than during the previous year. Other operating expenses increased by 6.8 per cent to EUR 48.0 million (2016: EUR 45.0 million). Depreciation, amortisation and impairment of property, plant and equipment and intangible assets amounted to EUR 4.9 million (2016: EUR 3.5 million).

During 2017, impairment losses on loans and other receivables were EUR 5.0 million (2016: EUR 6.7 million). Impairment losses amounted to 0.15 per cent. (2016: 0.21 per cent.) of the loan portfolio. Ratio of receivables more than 90 days overdue to loan and guarantee portfolio was 0.89 per cent. (2016: 0.75 per cent.) of the loan portfolio.

***Comparison of the Total Assets of the Amalgamation and the Group***

The total assets of the Amalgamation and the Group as of 31 December 2017 were the following:

	<b>31 December</b>
	<b>2017</b>
<b>Name of the entity</b>	<i>(EUR thousand)</i>
Hannulan Osuuspankki	29,607
Honkajoen Osuuspankki	53,576
Isojoen Osuuspankki	63,121
Jämijärven Osuuspankki	59,114
Kannonkosken Osuuspankki	53,199
Keuruun Osuuspankki	187,274
Konneveden Osuuspankki	124,496
Kosken Osuuspankki	173,331
Kurikan Osuuspankki	287,088
Kyrön Seudun Osuuspankki	93,755
Kyrönmaan Osuuspankki	254,679
Kyyjärven Osuuspankki	73,186
Lammin Osuuspankki	173,775
Lanneveden Osuuspankki	46,029
Lappajärven Osuuspankki	106,749
Lapuan Osuuspankki	240,113
Lavian Osuuspankki	73,717
Liedon Osuuspankki	122,164
Nivalan Järvikylän Osuuspankki	86,205
Piikkiön Osuuspankki	110,329
Pohjanmaan Osuuspankki	446,678
Reisjärven Osuuspankki	148,062
Sievin Osuuspankki	145,410
Siilinjärven Osuuspankki	313,285
Suupohjan Osuuspankki	803,766

Tiistenjoen Osuuspankki	37,914
Bonum Bank Plc	556,310
POP Bank Alliance	35,764
<b><u>Total Assets of the Amalgamation*</u></b>	<b>4,277,210</b>
<b><u>Total Assets of the Group</u></b>	<b>4,275,838</b>

\*Total Assets of the Amalgamation is prepared under IFRS and they consist of the assets of the Member banks, POP Bank Alliance and the companies under their control according to the Amalgamation Act. The figure is not based on audited financial statements.

The POP Banks share joint and several liability for each others' debts and those of the Issuer (subject to the limitations of the Amalgamation Act, see section "*The Amalgamation Act*").

#### ***Other entities belonging to the Amalgamation***

Other entities than the POP Bank Alliance and the Member Credit Institutions belonging to the Amalgamation include the companies included in the consolidation groups of the Member Credit Institutions. Those entities 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.

#### ***Group entities not belonging to the Amalgamation***

Group entities not included in the Amalgamation are entities other than credit and financial institutions or service companies. The most significant of them are POP Holding Ltd and Finnish P&C Insurance Ltd.

*POP Holding Ltd* is the Group's holding company. As at 31 December 2017, the companies belonging to the Group owned 100.0 per cent. of the shares in POP Holding Ltd. POP Holding Ltd's subsidiary Finnish P&C Insurance Ltd has been consolidated in the POP Holding group. The POP Holding group consists of POP Holding Ltd and Finnish P&C Insurance Ltd.

*Finnish P&C Insurance Ltd* began its customer business operations in late 2012. The Group's Non-Life Insurance segment includes Finnish P&C Insurance Ltd. 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 company's customer volume passed 110,000 during the first half of 2018. Insurance policies are sold under the auxiliary business name POP Insurance. Finnish P&C Insurance Ltd is a wholly-owned subsidiary of POP Holding Ltd.

#### **The POP Bank Alliance**

The POP Bank Alliance (POP Pankkiliitto osk) was established in 1996 (at that time: POP Pankkiliitto ry and later: Paikallisosuuspankkiliitto osk), and is organised under the laws of the Republic of Finland. The POP Bank Alliance's financial year is one calendar year. The POP Bank Alliance is domiciled in Helsinki, Finland, and registered in the Finnish Trade Register under the business identity code 1090961-3. Its registered address is Hevosenkenkä 3 02600 Espoo, Finland. The members of the Group own 100.0 per cent. of the shares and hold 100 per cent. of the votes in the the POP Bank Alliance.

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

Pursuant to the Amalgamation Act, the POP Bank Alliance is responsible among other things for issuing guidelines on risk management, good corporate governance, internal control and guidelines for the

application of uniform accounting principles in preparing the consolidated financial statements of the Group. For further information on the POP Bank Alliance's role and its responsibility under the Amalgamation Act, see "*The Amalgamation Act*".

According to Article 2 of its bylaws, the POP Bank Alliance's objective is to promote and support the progress and co-operation of the entities belonging to the Group. To accomplish the objective, the POP Bank Alliance e.g. steers the Group's centralized services, and is responsible for the Group's strategic steering. The POP Bank Alliance may hold shares and participations in the companies belonging to the Amalgamation and to engage in other investment activities that may be justified from the perspective of the Amalgamation. The POP Bank Alliance may not engage in any other material business. The POP Bank Alliance may arrange the services it is to provide through subsidiaries or other companies.

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

At 30 June 2018, the POP Bank Alliance employed a staff of 38.

### **Future outlook**

The following is stated in the Group's half-year report for the period 1 January–30 June 2018:

"The POP Bank Group has been forced to adjust to an operating environment of low interest rates and stricter regulation of the banking sector. The low market interest rate levels are making it more difficult to increase net interest income and are also decreasing the return on the Group's fixed-rate investments. The most significant risks in the financial sector are related to rapid changes in customers' behaviour and to the traditional companies' ability to respond to digitalisation quickly enough.

The POP Bank Group's result for the 2018 financial year is expected to be at the previous year's level. With regard to forecasting, the most significant uncertainty factors are related to changes in interest rate levels, the development of impairment provisions, the growth rate of the Group's business operations, and a higher than expected number of major incidents for the insurance company."

### **Management of the POP Bank Alliance**

In the POP Bank Alliance, the central institution of the Amalgamation, the highest decision making authority rests with the annual cooperative meeting. The cooperative meeting confirms the bylaws and adopts the financial statements and balance sheet of the POP Bank Alliance, decides on the Group's strategy and elects the members of the Supervisory Board and the auditor of the POP Bank Alliance. One member shall be elected to the Supervisory Board from each Member Credit Institution.

#### ***Supervisory Board of the POP Bank Alliance***

The Supervisory Board consists of no less than three (3) and no more than thirty-four (34) members. The Supervisory Board is responsible for supervising the management of the POP Bank Alliance, as carried out by the Board of Directors and the CEO, as well as supervising the diligent management of the POP Bank Alliance's activities in accordance with the Cooperatives Act and the interests of the POP Bank Alliance and the Group.

The Supervisory Board issues a statement on the Amalgamation's strategy and financial statements prepared by the Board of Directors of the POP Bank Alliance to the cooperative meeting. The supervisory board also annually confirms the principles of capital adequacy management of the Amalgamation. The Supervisory Board ratifies the general operating principles of the 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 has established two permanent committees, the Executive and Nomination Committee and the Audit Committee.

As at the date of this Base Prospectus, the members of the Supervisory Board were:

<i><b>Name and education</b></i>	<i><b>Company and address</b></i>	<i><b>Role</b></i>
Hannu Saarimäki Chairman Agriculture technician	Metsämäen maatila ja Saarimäki Consulting Oy Nevalantie 103 FI-42700 Keuruu	Entrepreneur
Harri Takala	Ylistarontie 139 FI-62375 Ylihärmä	Agricultural entrepreneur
Keijo Hissa Mechanic/machinist	Puusepänliike Keijo Hissa Tmi Yryseläntie 49 FI-66440 Tervajoki	Entrepreneur
Irja Hokkeri Vocational Qualification in Business and Administration	IR-Kiinteistöt Irja Hokkeri Männiköntie 2 C 14 FI-41400 Lievestuore	Entrepreneur
Heikki Honkaniemi Forestry technician	Metsä Group / Metsäliitto Osuuskunta Seinäjoen palvelutoimisto Itikanmäenkatu 3 FI-60100 Seinäjoki	Forestry expert
Pentti Huostila	Simolan tila Oitentie 142 FI-16900 Lammi	Agricultural entrepreneur
Timo Jäntti Master of Arts	Reisjärven Osuuspankki Kirkkotie 8 A FI-85900 Reisjärvi	CEO
Marjut Järvinen Vocational Qualification in Business and Administration	Jämijärven Osuuspankki Jämijärventie 22 B FI-38800 Jämijärvi	CEO
Lasse Kalliomäki Bachelor of Agriculture	Suurpohjan koulutuskuntayhtymä Oppitie 4 FI-61800 Kauhajoki	Head of Department
Marja Savioja, Bachelor of Agriculture	Isojoen Osuuspankki Honkajoentie 4 FI 64900 ISOJOKI	CEO
Aaro Koljonen Bachelor of Agriculture	Koljosentie 21 FI-64760 Peltola	Agricultural entrepreneur
Petri Kotilainen Carpenter	Tilausmatka Kotilainen Saarijärventie 642 FI-43300 Kannonkoski	Entrepreneur
Pekka Liimatainen	Pyhälähdentie 981 44370 Konnevesi	Agricultural entrepreneur
Hannu Latva-Hirvelä Forestry Engineer	Suomen Metsäkeskus Otso Metsäpalvelut Kauhajoki Teknologianpuisto 1 FI-61800 Kauhajoki	Forest service director
Juhani Laurikainen	Asianajotoimisto Kivikoski &	Attorney

Master of Laws, trained on the bench	Haavisto Oy Yliopistonkatu 29 C B FI-20100 Turku	
Pekka Niinistö Engineer	APX-Metalli Oy Autoilijankatu 30 FI-20780 Kaarina	CEO
Urpo Ojala Secondary School Graduate and Vocational Qualification in Business and Administration	Kyyjärven Osuuspankki Tuliharjuntie 4 PL 5 FI-43700 Kyyjärvi	CEO
Eija Rajaniemi Secondary School Graduate and Vocational Qualification in Business and Administration	Nivalan Järvikylän Osuuspankki Kalliontie 27 FI-85500 Nivala	CEO
Juha Rampa Horticulturalist	Satakunnan Taimitukku Kivijärventie 386 FI-38600 Lavia	Entrepreneur
Veijo Sandholm Automotive technician	Vahtelo oy Myllyojantie 102 FI-85470 Kiiskilampi	Forest Entrepreneur and Real Estate Investor
Mikko Seppänen Master of Political Science	Kyrön Seudun Osuuspankki Kyröntie 31 FI-21800 Kyrö	CEO
Jorma Suvanto	Hiipakantie 41 FI-62165 Tiistenjoki	Agricultural Entrepreneur
Pekka Takkinen Master of Science in Technology	Siilijärven kunta Kasurilantie 1 FI-71800 Siilinjärvi	Finance Director
Raili Turpeinen Vocational Qualification in Business and Administration	Lanneveden Osuuspankki Kauppakatu 10 FI-43100 Saarijärvi	CEO
Jussi Vaahtoniemi Police officers degree	Pohjanmaan poliisilaitos Juhonkatu 4 FI-60100 Seinäjoki	Police Sergeant
Pirjo Vuokko Doctor of Economic Sciences	Kivitie 1 FI-21500 Piikkiö	Docent

### ***Board of Directors of the POP Bank Alliance***

The Board of Directors is responsible for the appropriate and reliable organisation of the governance and operations of the POP Bank Alliance. The Board of Directors have two permanent committees, the Risk Committee and the Audit Committee.

At the date of this Base Prospectus, the Chairman and members of the Board of Directors were:

**Juha Niemelä** (born 1964) has been a member of the POP Bank Alliance's Board of Directors since 2016 and the Chairman of the POP Bank Alliance's Board of Directors since 2018. Mr Niemelä has been a member of the POP Bank Alliance's Management Board 2012-2015. Mr Niemelä has been a member of the POP Bank's Guarantee Fund's Board of Directors 2006-2012. Mr. Niemelä has been the CEO of Liedon Osuuspankki since 1998. Mr. Niemelä holds a diploma in business administration.



**Soile Pusa** (born 1971) has been a member of the POP Bank Alliance's Board of Directors since 2010 and the Deputy Chairman of the POP Bank Alliance's Board of Directors since 2018. Ms. Pusa was the Chairman of the POP Bank Alliance's Board of Directors in 2015. Ms. Pusa has been a member of the POP Bank's Guarantee Fund's Board of Directors in 2010-2016 and a member of the POP Holding Ltd's Board of Directors 2011-2014. Ms. Pusa has been the CEO of Lappajärven Osuuspankki 2007-2014 and CEO of Siilinjärven Osuuspankki since 2014. Ms. Pusa holds Master of Law degree (trained on the bench).

**Petri Jaakkola** (born 1963) has been a member of the POP Bank Alliance's Board of Directors since 2014 and the Chairman since 2016. Mr. Jaakkola has been a member of Lapuan Osuuspankki's Board of Directors 2001-2014. Mr. Jaakkola has been CEO of Lapuan Osuuspankki since 2001, Lawyer and Director in Sampo Bank 1990-2001. Mr. Jaakkola holds a Master of Law degree (trained on the bench).

**Ari Heikkilä** (born 1955) has been a member of the POP Bank Alliance's Board of Directors since 2011. Mr. Heikkilä has been the CEO of Konneveden Osuuspankki since 1998. Mr. Heikkilä holds a diploma in natural resources (agrologist).

**Hannu Tuominiemi** (born 1956) has been a member of the POP Bank Alliance's Board of Directors since 2012. Mr. Tuominiemi has been a member of POP Holding Ltd's Board of Directors since 2012. Mr. Tuominiemi has been CEO of Suupohjan Osuuspankki since 2012, deputy CEO of Suupohjan Osuuspankki 2010-2012, Director in Suupohjan Osuuspankki 1993-2010 and CEO of Kyrönmaan Osuuspankki 1991-1993. Mr. Tuominiemi holds a Master of Science degree in Economics.

**Marja Pajulahti** (born 1966) has been a member of the POP Bank Alliance's Board of Directors since 2016. Ms. Pajulahti has been the CEO of SOS-Children's Villages Foundation sr since 2016, the Deputy Managing Director in S Bank in 2014-2015 and the CEO in Local Tapiola Bank in 2011-2014. Ms. Pajulahti holds a Master of Laws degree.

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

#### ***CEO and Deputy CEO of the POP Bank Alliance***

The central institution has a CEO 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 CEO 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 CEO of the POP Bank Alliance is Pekka Lemettinen and his deputy is Jaakko Pulli.

**Pekka Lemettinen** (born 1972) has been the CEO of the POP Bank Alliance since 2017. Mr. Lemettinen has been a member of Bonum's Board of Directors since 2017 and the Chairman of Bonum's Board of Directors since 2018, the Chairman of the Board of Finnish P&C Insurance Ltd since 2017 and a member of the Board of Oy Samlink Ab since 2017. Mr. Lemettinen has been the CEO of Finnish P&C Insurance Ltd in 2014-2017 and the COO of Finnish P&C Insurance Ltd in 2011-2014. Mr. Lemettinen holds a BBA degree.

**Jaakko Pulli** (born 1978) has been the deputy CEO of the POP Bank Alliance since 2017. Mr. Pulli was the Chief Risk Officer of POP Bank Group in 2015-2017 and head of Risk Management Services in PP-Laskenta Oy in 2009-2015. Mr. Pulli holds a Master of Science in Economics.

The business address of the CEO and Deputy CEO is Hevosenkenkä 3, 02600 Espoo, Finland.

#### ***Conflicts of Interest***

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

#### ***Ownership***

The members of the Group own 100.0 per cent. of the shares and hold 100 per cent. of the votes in the POP Bank Alliance.

## **Trend information**

There has been no material adverse change in the prospects of the Group since 31 December 2017.

## **Auditors**

The consolidated financial statements of the Group for the financial years ended 31 December 2017 and 31 December 2016 incorporated in this Base Prospectus by reference have been audited by Johanna Gråsten, Authorised Public Accountant, KPMG Oy Ab. The business address of the auditor and the KPMG Oy Ab is Töölönlahdenkatu 3 A, 00100 Helsinki.

## **Material Contracts**

There are no material contracts that are not entered into in the ordinary course of the Group's, the POP Bank Alliance's or the Amalgamation's business, which could result in the Group, the POP Bank Alliance or the Amalgamation being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Noteholders.

## **Legal Proceedings**

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

## **Recent Events**

Samlink Ltd supplies the core basic banking systems for the banking segment of the Group. As at the date of this Base Prospectus, the Group is conducting negotiations with other owners of Samlink Ltd about updating the core banking systems. This may involve corporate arrangements involving Samlink Ltd. The negotiations are expected to be completed before the end of 2018.

The Board of Directors of the POP Bank Alliance is not aware of any other factors, which would materially influence the financial position of the Group after the completion of the half-year report for the period 1 January – 30 June 2018.

## **Accounting policies**

The audited consolidated financial statements of the Group for 1 January – 31 December 2017 and 1 January – 31 December 2016 have been prepared in accordance with 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 Group's unaudited half-year financial report for 1 January – 30 June 2018 has been prepared in accordance with IAS 34 Interim Financial reporting and the accounting policies presented in the Group's consolidated financial statements for 1 January – 31 December 2017.

Information pursuant to the CRR about the capital adequacy of the Amalgamation in the Group's consolidated financial statements for 1 January – 31 December 2017 and 1 January – 31 December 2016 ("**Pillar III disclosures**") is presented based on the capital adequacy of the Amalgamation. Therefore, the Pillar III disclosures are not directly comparable with other figures pertaining to Group presented in the balance sheet of the consolidated financial statements.

The Group has adopted IFRS 9 on 1 January 2018. The accounting policies of the Group have been presented in note 2 of the Group's half-year financial report for 1 January - 30 June 2018 and consolidated financial statements for 1 January – 31 December 2017 incorporated herein by reference. The Group has not applied IFRS 9 retrospectively. Therefore, the information concerning earlier reporting periods has not been adjusted and it is presented mainly in the same format as it has been presented according to IAS 39 Financial Instruments: Recognition and Measurement. The Group will continue to use the IAS 39 hedge accounting requirements also after IFRS 9 has been implemented.

The introduction of IFRS 9 on 1 January 2018 and the reclassification of financial assets reduced the Group's total equity capital by EUR 7,078 thousand compared to 31 December 2017. The Group's total

equity capital amounted to EUR 478,572 thousand as at 1 January 2018 (EUR 485,649 thousand as at 31 December 2017).

## THE AMALGAMATION ACT

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

### General

The Amalgamation Act lays down requirements set for the operations of the POP Bank Alliance acting as a central institution for the Amalgamation and the companies belonging to the Amalgamation.

The Amalgamation is formed by the Issuer, the POP Banks, the POP Bank Alliance and 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 per cent. of the votes. The POP Bank Alliance acts as the central institution of the Amalgamation.

### Supervision

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

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

The FIN-FSA oversees the POP Bank Alliance so that it controls and supervises the operations of its Member Credit Institutions in accordance with the provisions of the Amalgamation Act.

### License of the POP Bank Alliance

The FIN-FSA issued a central institution's license to the POP Bank Alliance on 14 December 2015.

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

The rights and obligations of the POP Bank Alliance, based on the provisions of Chapter 5 of the Amalgamation Act, which have been established prior to cancellation of the license, shall not expire owing to said cancellation.

### Joint liability of the Amalgamation

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

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

- b. Joint liability of Member Credit Institutions: A Member Credit Institution must pay to the POP Bank Alliance a proportionate share of the amount which the POP Bank Alliance has paid either to another Member Credit Institution as part of the support action described above, or to a creditor of such Member Credit Institution as payment of a due debt for which the creditor has not received payment from his debtor. Furthermore, upon the insolvency of the POP Bank Alliance a Member Credit Institution has an unlimited liability to pay the debts of the POP Bank Alliance as set out in Chapter 14 of the Act on Cooperatives.
- c. Each Member Credit Institution's liability, for the amount which the POP Bank Alliance has paid on behalf of one Member Credit Institution to its creditors, is divided between the remaining Member Credit Institutions in proportion to their last confirmed balance sheet totals.
- d. Member Credit Institution's obligation to participate in support actions: If the funds of any Member Credit Institution fall below the minimum threshold set out in the Credit Institutions Act or the Amalgamation Act, as the case may be, the POP Bank Alliance is entitled to receive credit from the other Member Credit Institutions by collecting additional repayable payments from them to be used to support actions to prevent liquidation of the Member Credit Institution whose funds have fallen below the minimum threshold. The annual aggregate amount of the payments collected from the Member Credit Institutions on this basis may in each accounting period be a maximum amount of 0.5 per cent. of the last confirmed balance sheet total of each Member Credit Institution.
- e. POP Bank Alliance's liability to pay a Member Credit Institution's overdue debt: A creditor who has not received payment from a Member Credit Institution on a due receivable (principal debt) may demand payment from the POP Bank Alliance, when the principal debt falls due. As a result, pursuant to the Amalgamation Act, the POP Bank Alliance is responsible for the payment of such debts. Having made such payment, the POP Bank Alliance has a right to collect proportionate shares of the payment from Member Credit Institutions as described above in paragraph (b).

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

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

### **Responsibilities of the POP Bank Alliance**

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

### **Responsibilities of the Member Credit Institutions**

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

According to section 19 of the Amalgamation Act, companies within the Amalgamation must together have own funds of the minimum amount provided for in Chapter 10, section 1 of the Credit Institutions

Act. The amount shall be calculated in accordance with what is provided for the calculation of consolidated own funds in the CRD IV Regulation.

On joint liability of the Member Credit Institutions, see "*The Amalgamation Act—Joint liability*".

### **Consolidated accounts of the POP Bank Alliance and the Member Credit Institutions**

The provisions of the Credit Institutions Act apply to the preparation of the POP Bank Alliance's financial statements and consolidated financial statements and audit. A Member Credit Institution is not subject to provisions governing interim and annual reports prescribed by Chapter 12, section 12 of the Credit Institutions Act.

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

The POP Bank Alliance's auditors shall audit the consolidated financial statements, by complying with the provisions of the Credit Institutions Act where applicable, which must be presented and notified to the annual cooperative meeting of the POP Bank Alliance.

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

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

### **Withdrawal and/or expulsion of POP Banks**

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

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

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

## **AVAILABLE DOCUMENTS**

Bonum's Articles of Association (in Finnish), trade register extract (in Finnish) and audited financial statements as well as the auditor's reports regarding the last two financial years are available during the period of validity of the Base Prospectus at the registered address of Bonum, Hevosenkenkä 3, 02600 Espoo.

The POP Bank Alliance's bylaws (in Finnish), trade register extract (in Finnish) and the Group's audited financial statements as well as the auditor's report regarding the last two financial years are available during the period of validity of the Base Prospectus at the registered address of the POP Bank Alliance, Hevosenkenkä 3, 02600 Espoo.



## INFORMATION INCORPORATED BY REFERENCE

The following documents have been incorporated by reference to this Base Prospectus. They are available at Bonum's website at [http://www.bonumpankki.fi/en\\_US/ForInvestors/](http://www.bonumpankki.fi/en_US/ForInvestors/) and upon request from Bonum.

### Document

### Referred information

Bonum Bank Plc Half-Year Report 1 January – 30 June 2018

Half-year report of the Issuer for the period 1 January – 30 June 2018

Bonum Bank Plc Board of Director's Report and Financial Statements 1 January – 30 June 2017

Financial statements 1 January – 31 December 2017

Bonum Bank Financial Statements and Auditor's Report 2017

Auditor's report for the year ended 31 December 2017

Bonum Bank Plc Board of Directors' and Financial Statements Report for 1 January - 31 December 2016

Financial statements 1 January – 31 December 2016

Bonum Bank Financial Statements and Auditor's Report 2016

Auditor's report for the year ended 31 December 2016

POP Bank Group Half-Year Financial Report 1 January - 30 June 2018

Half-year report of the Group for the period 1 January – 30 June 2018

POP Bank Group Board of Directors' Report and Consolidated IFRS Financial Statements 31 December 2017

Financial statements 1 January – 31 December 2017

POP Bank Group Board of Directors' Report and Consolidated IFRS Financial Statements 31 December 2017, page 139–142

Auditor's report for the year ended 31 December 2017

POP Bank Group's Board of Directors' Report and Consolidated IFRS Financial Statements 31 December 2016

Financial statements 1 January – 31 December 2016

POP Bank Group's Board of Directors' Report and Consolidated IFRS Financial Statements 31 December 2016, page 190–192

Auditor's report for the year ended 31 December 2016

## GLOSSARY OF DEFINED TERMS

The following glossary contains certain defined key terms in relation to the Base Prospectus.

the <b>Amalgamation Act</b>	the Act on the Amalgamation of Deposit Banks (599/2010, as amended) (in Finnish <i>laki talletuspankkien yhteenliittymästä</i> )
the <b>Amalgamation</b>	POP Bank Alliance and those entities amalgamated with it from time to time pursuant to the Amalgamation Act, currently comprising the Issuer, the POP Banks and 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 per cent. of the votes.
the <b>Arrangers</b>	Nordea Bank Abp and Danske Bank A/S, Finland Branch in their capacity as the arrangers of the Programme
the <b>Central Organisation or POP Bank Alliance</b>	POP Pankkiliitto osk
the <b>Group</b>	those POP Bank Group's entities that are consolidated for accounting purposes
the <b>Lead Manager(s)</b>	any bank acting as lead manager(s) in a Tranche of Notes
the <b>Member Credit Institutions</b>	the Issuer and the POP Banks
<b>Noteholder</b>	an investor that has made an investment in the Notes under the Programme.
the <b>POP Banks</b>	the POP banks belonging to the Amalgamation from time to time, as at the date of this Base Prospectus: (1) Hannulan Osuuspankki, (2) Honkajoen Osuuspankki, (3) Isojoen Osuuspankki, (4) Jämijärven Osuuspankki, (5) Kannonkosken Osuuspankki, (6) Keuruun Osuuspankki, (7) Konneveden Osuuspankki, (8) Kosken Osuuspankki, (9) Kurikan Osuuspankki, (10) Kyrönmaan Osuuspankki, (11) Kyrön Seudun Osuuspankki, (12) Kyyjärven Osuuspankki, (13) Lammin Osuuspankki, (14) Lanneveden Osuuspankki, (15) Lappajärven Osuuspankki, (16) Lapuan Osuuspankki, (17) Lavian Osuuspankki, (18) Liedon Osuuspankki, (19) Nivalan Järvikylän Osuuspankki, (20) Piikkiön Osuuspankki, (21) Pohjanmaan Osuuspankki, (22) Reisjärven Osuuspankki, (23) Sievin Osuuspankki, (24) Siilinjärven Osuuspankki, (25) Suupohjan Osuuspankki, and (26) Tiistenjoen Osuuspankki.

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