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BONUM BANK LTD – BALANCE SHEET BOOK 1 JANUARY–31 DECEMBER 2015

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Bonum Bank’s Board of Directors Report and Financial Statements 1 January-31 December 2015 is a translation of the original Finnish version “Bonum Pankin tasekirja 1.1.-31.12.2015”. In case of discrepancies, the Finnish version shall prevail.

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BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD 1 JAN–31 DEC 2015

OPERATING ENVIRONMENT

Finland was still lagging behind the growth of the rest of the world. In 2015, Finland's GDP fell by 0.1 per cent. The growth forecast for 2016 is only 0.6 per cent. Investments are at a low level worldwide. Therefore, Finland's investment goods-driven export has a hard time trying to catch up with the growth of the world economy. The outlook for the export market is slightly more positive in 2016, while difficult times will continue in the domestic markets.

The European economy is growing at an annual rate of approximately two per cent. Improved employment rates increase domestic consumption. In the United States, the economic growth rate will remain at approximately 2.5 per cent. A slight increase in interest rates is expected in the United States in the latter half of the year, but it is not expected to have a negative effect on economic growth. The crash of the Chinese stock exchange in spring 2015 startled the entire international economy and the United States, in particular. So far, the impact of the crash on the real economy seems to remain low.

In addition to competitiveness issues and structural challenges, the development of Finnish export is still restricted by the economic sanctions on Russia and the country's very weak economic development. The decrease in oil price has caused a downfall of economic growth in Russia, and private consumption suffers the most. No major changes are expected in the exchange rate between the euro and the US dollar. Thus, the exchange rate will not particularly support Finnish export. Weak export of investment goods has also decreased the need for imported components.

Investments have picked up slightly. In construction industry, the future outlook is now positive. Furthermore, forest industry is currently implementing and planning a number of major investments. However, investments in machinery and equipment are at a low level also in Finland. Overall, investments decreased by 3.2 per cent. As a result of an improved outlook for foreign trade, investments will take a cautious 1.6 per cent upward turn this year.

Throughout the autumn 2015, the Finnish government tried to find ways for triggering growth in the Finnish economy. However, no solution has been found that all the parties involved in the negotiations would approve. It is important to improve Finland's competitiveness in export, but the measures proposed will not necessarily lead to the target. The functioning of the domestic market should be taken into account in decision-making. Further weakening of private consumption may be the last straw to break the back of economic growth in Finland.

Consumer prices have been decreasing as a result of the decreases in food and petrol prices. On the other hand, the prices of housing and health care services have been increasing. The slow growth of labour costs and weak demand are some of the factors that restrain price increases. Tax increases constitute the main factor contributing to consumer price increases.

Euribor interest rates continue to decrease. The 12-month Euribor, a common reference rate for housing loans, fell close to zero at year-end. However, the low interest rate level has a positive effect on the finances of people with housing loans. No significant increase can be seen in the prices of houses and apartments. In the rental market, however, the situation is more challenging, as rental rates are increasing.

The unemployment rate has increased strongly, but the development seems to have stabilised during the last part of the year. Nevertheless, the unemployment rate remains high. It varies a lot depending on the branch. In industry, the situation has been difficult for a long time, but slightly more positive signs were seen during the autumn. In addition, the employment outlook for construction industry has clearly improved. The situation continues to be difficult in wholesale and retail trade. Furthermore, employment opportunities in the public social services and health care sector have decreased strongly. The situation is considerably better in the private sector.

In addition to the recession, technological innovations and digitalisation are strongly changing the Finnish job market. Many jobs can be replaced with technology and people are made redundant. Flexibility in the job market and re-employment opportunities for the unemployed should be improved in order to keep unemployment rates in check in the future.

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Households are currently in a difficult situation, due to the high unemployment rates and modest development of disposable income. The growth of private consumption has been extremely slow for several years now. In 2015, the decrease of consumer prices made the situation easier for households, but, except for that, opportunities for consumption are poor. In Finland, the private consumption to GDP ratio is approximately 55 per cent. Thus, it is of great importance for the development of the economy as a whole.

POP BANK GROUP

Bonum Bank Ltd is a member of the POP Bank Alliance. It belongs to the amalgamation of POP Banks that started its operations on 31 December 2015. The amalgamation of POP Banks is formed by 26 independent co-operative banks, the central institution POP Bank Alliance, 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 a control of over 50 per cent. POP Bank Alliance acts as the central institution responsible for group steering and supervision.

BUSINESS OPERATIONS OF BONUM BANK

Bonum Bank is responsible for providing central credit institution services for POP Banks. The deployment of central credit institution services was finalised during the year according to plan. Bonum Bank is now responsible for all the central credit institution services needed by POP Banks. With regard to payment transfer, Bonum Bank has been responsible for the transfer of POP Banks' SEPA payments since February 2015. The intermediation of POP Banks' minimum reserves to the Bank of Finland through Bonum Bank Ltd started at the same time.

The provision of special loan support services began in February. These services are related to loans granted from government funds or loans with state guarantees or interest subsidies. Bonum 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 POP Banks.

International payment transfer service for POP Banks started in two phases in May, first for incoming and then for outgoing payments.

At the beginning of June, the issue of POP Banks' payment cards and the credit portfolio related to credit cards were transferred to Bonum Bank through a balance sheet transaction with Nets Ltd. Approximately 190,000 cards were transferred. The transfer of both services was successful. The success was ensured by efficient project work with the various service providers and stakeholders. From the perspective of POP Banks' customers , the changes were minor.

Bonum Bank is the issuer of Visa Debit and Visa Credit cards, while POP Banks act as representatives, providing related sales and customer service processes. Bonum Bank applies an outsourcing model in its card business; Bonum Bank's role is to lead and develop the business in co-operation with its partners.

In December, Bonum Bank became a member of the POP Bank Alliance and part of the amalgamation of POP Banks. Bonum Bank continues to develop central credit institution services, aiming to promote the business of POP Banks and enable healthy and profitable growth in the POP Bank group. Within the amalgamation of POP Banks, Bonum Bank will build channels for external wholesale funding for the POP Bank group, both in Finland and the international markets. The first programmes will be launched in 2016.

The central credit institution services were originally developed for 34 POP Banks. Later, eight banks decided to leave POP Bank Alliance. In the latter half of 2015, Bonum Bank prepared the withdrawal of the leaving banks from the central credit institution services. Service provision for two of these banks ended on 31 December 2015. In accordance with the agreement, the leaving banks will be refunded part of the charges related to the development of central credit institution services and card business. Their deposits in Bonum Bank will also be repaid.

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FINANCIAL POSITION

PERFORMANCE

Bonum Bank's profit for the financial year amounted to EUR 306 thousand (loss for the financial year was EUR 246 thousand in 2014). Most of the result comes from interest and commission income on central credit institution services provided for POP Banks. The Bank's cost-to-income ratio stood at 90.98% (118.83%).

The Bank's key income statement items have developed as follows compared with 2014:

(EUR 1,000)	2015	2014
Interest income	2,043	68
Interest expenses	-311	0
Net interest income	**1,732**	**68**
Net commissions and fees	2,416	434
Net investment income	163	0
Other operating income	1,539	847
Total operating income	**5,850**	**1,349**
Personnel expenses	-1,032	-772
Other operating expenses	-3,799	-800
Depreciation and amortisation on property, plant and equipment and intangible assets	-491	-31
Total operating expenses	**-5,322**	**-1,603**
Impairment losses on loans and receivables	-262	0
Profit before taxes	**265**	**-254**
Income taxes	41	8
Result for the period	**306**	**-246**

Due to the transition to IFRS, the figures for 2014 are presented in accordance with the IFRS regulations.

The Bank's net interest income amounted to EUR 1,732 thousand (68). The significant increase in net interest income resulted from the launching of central credit institution services and card business and, consequently, the strongly increased balance sheet. Interest income consisted of interest income from the bank's investments and card credits. The decreasing interest rates and negative money market yield will continue to decrease the bank's interest income.

Net commission income increased to EUR 2,416 thousand (434). Commission income consists mainly of payment transfer fees and income from card business.

Other income, totalling EUR 1,539 thousand (847), originates in fees charged to POP Banks for the construction of Bonum Bank's operations.

Personnel expenses consist of salary expenses, pension expenses and other indirect personnel expenses. The growth in personnel expenses to EUR 1,032 thousand (772) was due to the increase in the number of the bank's personnel during the financial year. The increase in other operating expenses was mainly due to the construction expenses of the infrastructure for central credit institution services and card business.

BALANCE SHEET

The Bank's balance sheet increased in 2015, amounting to EUR 427,333 thousand at year-end (23,225). The increase resulted from the launching of central credit institution services and card business.

Bonum Bank Ltd's key balance sheet items developed as follows compared with the two previous years:

(EUR 1,000)	31 Dec 2015	31 Dec 2014	1 Jan 2014
Assets			
Cash funds	159,147	4	0
Loans and advances to credit institutions	47,725	18,037	8,188
Loans and advances to customers	43,944	0	0
Investment assets	171,147	1,000	0
Intangible assets	2,932	2,440	78
Property, plant and equipment	50	62	40
Other assets	1,893	1,196	167
Tax assets	495	486	8
Total assets	**427,333**	**23,225**	**8,481**
Liabilities			
Liabilities to credit institutions	390,200	0	0
Liabilities to customers	7,007	0	0
Other liabilities	9,453	2,726	214
Tax liabilities	435	490	12
Total liabilities	**407,095**	**3,217**	**226**
Equity			
Share capital	10,000	10,000	6,000
Reserves	9,919	10,000	2,000
Profit (loss) for previous financial years	12	255	255
Profit (loss) for the period	306	-246	-
Total equity	**20,237**	**20,008**	**8,255**
Total liabilities and equity	**427,333**	**23,225**	**8,481**

OTHER KEY INDICATORS

Key figures	31 Dec 2015 IFRS	31 Dec 2014 IFRS
Cost-to-income ratio, %	**90.98**	**118.83**
ROA	**0.14**	**-1.60**
ROE	**1.52**	**-1.80**
Equity ratio	**4.74**	**86.15**

SHAREHOLDINGS AND EQUITY

On 31 December 2015, Bonum Bank had 900,000 shares, all of which are held by POP Bank Alliance. Bonum Bank holds no own shares.

On 31 December 2015, Bonum Bank's share capital was EUR 10,000 thousand. (10,000). Equity capital totalled EUR 20,237 thousand (20,008).

CAPITAL ADEQUACY MANAGEMENT

The objective of Bonum Bank's capital adequacy management is to ensure the bank's risk-bearing capacity in relation to the risks involved in the business operations, as well as to ensure the sufficiency and efficient allocation of capital. To achieve this objective, the bank identifies and assesses risks involved in its business operations, dimensions its capital needs on a risk basis and prepares a capital plan to achieve its objectives. The capital adequacy management process also aims at maintaining and developing high-quality risk management.

By acting in accordance with the business plan approved by the Board of Directors, the bank is able to keep the risks involved in its business operations manageable and moderate in relation to its risk-bearing capacity. The bank's Board of Directors is responsible for the capital adequacy management and the determination of risk limits related to operations. The bank's Board of Directors annually reviews the risks related to the bank's capital adequacy management, the capital plan and the specified risk limits and, when necessary, modifies the objectives.

In its capital adequacy management process, the bank prepares result, growth and capital adequacy forecasts, taking into account needs for strategic changes in the central credit institution operations in accordance with the business plan and its significant projects in 2016. On the basis of the forecasts, the bank charts the necessary measures by means of which the capital adequacy objective (in accordance with the business strategy) can be maintained.

The bank applies the standard approach for the calculation of the capital requirement for credit risk and the basic indicator approach for operational risk. The capital plan is supplemented by risk area-specific Pillar 2 risk assessments and stress tests.

The POP Bank group discloses the so-called Pillar 3 capital adequacy information in its financial statements. The financial statements of the POP Bank group are available from the office of POP Bank Alliance, address Hevosenkenkä 3, 02600 Espoo, Finland, or online at www.poppankki.fi.

OWN FUNDS AND CAPITAL ADEQUACY

Bonum Bank's own funds consist of share capital, non-restricted reserves and retained earnings, less the deductible items in accordance with the EU's Capital Requirements Regulation (No. 575/2013). Bonum Bank's CET1 ratio at the end of the financial year was 19.5 per cent (264.3 per cent). In 2014, Bonum Bank's equity capital was strengthened when preparing for the business operations to be launched in 2015. This led to a high capital adequacy ratio at the end of 2014. In 2015, Bonum Bank Ltd's capital adequacy was affected by the launching of central credit institution operations in accordance with the business plan. The central credit institution services, liquidity portfolio investment operations and card business significantly increased the balance sheet. In the first half of the year, they increased the amount of risk-weighted receivables, normalising the bank's capital adequacy ratio to the target level specified in the business plan. Furthermore, the launching of the card business and central credit institution services contributed to the increase of the capital requirement for operational risk.

In addition to the statutory eight per cent leverage ratio requirement, a fixed 2.5 per cent additional capital requirement became applicable on 1 January 2015, as well as a variable additional capital requirement which the authorities can set at 0–2.5%, if necessary. So far, the Finnish Financial Supervisory Authority has not set a variable additional capital requirement (countercyclical capital buffer requirement) or used other macroprudential means. In practice, the 2.5 per cent fixed additional capital requirement lifts the minimum levels of capital adequacy ratio and CET1 ratio to 10.5 and 7 per cent, respectively.

CAPITAL ADEQUACY KEY FIGURES

Bonum Bank's own funds totalled EUR 17,409 thousand (19,747). Tier 1 (T1) capital amounted to EUR 17,409 thousand (19,747) and consisted wholly of Common Equity Tier 1 (CET1) capital. Own funds did not include any Additional Tier 1 (AT1) capital or Tier 2 (T2) capital. Bonum Bank's own funds including the profit for the period totalled EUR 17,715 thousand (19,747).

The capitalisation of expenses related to the preparation of the amalgamation, carried out at the end of 2015 in accordance with the IFRS regulations, affected the amount of Tier 1 capital. As a result of the capitalisation, EUR 2,518 thousand deduction on intangible assets was made from Tier 1 capital. The capitalisation will not give rise to

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profit or loss in the future years, but the decrease in intangible assets will release own funds in capital adequacy calculations through amortisation.

The total amount of Pillar 1 risk-weighted items was EUR 89,175 thousand (7,472), consisting mainly of receivables from credit institutions and companies and retail customers' card credits. The minimum requirement for own funds was EUR 7,134 thousand (597) and the capital buffer to minimum capital requirement was EUR 10,276 (19,149).

The capital ratio of Bonum Bank Ltd was 19.5% at the end of 2015 (264.3%). The ratio of Tier 1 capital (T1) to risk-weighted items was 19.5% (264.26%).

Main Items of Capital Adequacy Calculation (1 000 euro)	31 December 2015	31 December 2014
Capital base		
Common Equity Tier 1 capital before deductions	19 928	19 758
Deductions from Common Equity Tier 1 capital	-2 518	-11
Total Common Equity Tier 1 capital (CET 1)	17 410	19 747
Additional Tier 1 capital before deductions	0	0
Deductions from Additional Tier 1 capital	0	0
Additional Tier 1 capital (AT1)	0	0
Tier 1 capital (T1=CET1+AT1)	17 410	19 747
Tier 2 capital before deductions	0	0
Deductions from Tier 2 capital	0	0
Total Tier 2 capital (T2)	0	0
Total capital (TC=T1+T2)	17 410	19 747
Total Risk Weighted Assets	89 175	7 473
Of which the share of credit risk	82 755	4 337
Of which the share of credit valuation adjustment risk (CVA)	0	0
Of which the share of market risk (exchange rate risk)	0	0
Of which the share of operational risk	6 420	3 136
Total capital requirement	7 134	598
Of which the share of credit risk	6 620	347
Of which the share of credit valuation adjustment risk (CVA)	0	0
Of which the share of market risk (exchange rate risk)	0	0
Of which the share of operational risk	514	251
Fixed additional capital buffer according to the Act on Credit Institutions (2.5%)	2 229	
Common Equity Tier 1 capital (CET1) in relation to risk-weighted items (%)	19,52 %	264,26 %
Tier 1 capital (T1) in relation to risk-weighted items (%)	19,52 %	264,26 %
Total Capital (TC) in relation to risk-weighted items (%)	19,52 %	264,26 %
Leverage ratio		
Tier 1 capital (T1)	17 410	19 747

Total exposures	441 750	20 288
Leverage ratio, %	3,94 %	97,34 %

RISK MANAGEMENT

Since December 2015, Bonum Bank is part of the amalgamation of POP Banks. A more detailed description of the objectives, organisation and internal control of risk management in the amalgamation can be found in the Annual Report of the amalgamation of POP Banks.

OBJECTIVE OF RISK MANAGEMENT

The objective of risk management is to ensure that the risks involved in the bank's business operations have been identified, assessed and restricted and that risks are monitored in accordance with good risk management principles and the principles of internal control. Risk management constitutes part of capital adequacy management, aiming to ensure that risk levels are in correct proportion to the bank's risk-bearing capacity. From the perspective of Bonum Bank's business, the essential areas of risk management are credit risks, interest rate risks, financial risks, operational risks and strategic risks.

PRINCIPLES AND ORGANISATION OF RISK MANAGEMENT

At Bonum Bank Ltd, risk management is an integral part of daily business management. It is based on the business plan, risk strategy, capital adequacy management guidelines, risk management guidelines, and decision-making and action authorisations approved by the Board of Directors, as well as risk and result reporting produced for the various subareas of business operations.

The Board of Directors receives regular reports on exposure levels of the bank's business and its ongoing projects as well as the development of risks. The Board of Directors approves the authorisations and framework for risk-taking in business by specifying the allowed exposure limits for credit, market and liquidity risks. The management is in charge of the daily exposure monitoring and supervision within the scope of the authorisations. In their monitoring activities, the management utilise reports concerning the various risk areas produced by different systems. Systems and practices intended for reporting on risks and monitoring them meet the requirements set for risk management, taking the nature and scope of the bank's operations into account.

CREDIT RISKS

Credit risk refers to a situation in which a counterparty cannot fulfil its liability to pay as agreed. Credit risk management aims at limiting the effects to profit and capital adequacy of credit risks resulting from investment activities and any other customer receivables to a manageable level.

The main credit risk management method is counterparty-specific credit limit framework. It ensures sufficient spreading of credit risk in accordance with the credit counterparty's ability to pay. The business strategy and credit exposure management guidelines approved by the Board of Directors specify the maximum limits for risk concentrations and act as guidelines for the targeting of investment activities and lending by customer sector, industry and credit exposure class. The most significant credit risks are associated with liquidity portfolio investment activities and card business.

The bank's Board of Directors makes the credit limit decisions concerning liquidity portfolio investment activities. The Board of Directors has delegated investment authorisations to the management of the bank and other designated employees by way of the credit exposure policy. Investment decisions are made according to the investment policy, credit exposure policy and credit exposure management guidelines approved by the Board of Directors of the bank, spreading the risks. Credit limit decisions are mainly based on an evaluation of the counterparty's creditworthiness, ability to pay and collateral.

Private customers' creditworthiness is evaluated on the basis of an application rating model based on mathematical statistics and on the basis of POP Banks' good customer knowledge which helps them to evaluate their customers'

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repayment ability. Other lending activities are based on the customer's ability to pay, as well as sufficient and safe collateral.

Concentrations of credit risk may arise from liabilities concentrated on a specific counterparty, counterparty group or industry. Furthermore, similarity of products and collaterals may lead to a concentration of credit risk.

The total amount of credit granted by Bonum Bank to a single customer and/or customer entity must not exceed the maximum amounts confirmed in the EU's Capital Requirements Regulation (No. 575/2013), other statutory orders or the regulations and guidelines provided by the Finnish Financial Supervisory Authority or other supervisory authority.

LIQUIDITY RISKS

Liquidity risk refers to Bonum Bank'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.

Liquidity risks are prepared for by maintaining a liquidity portfolio which helps the bank to manage long enough without external financing. Financial planning in asset liability management and liquidity contingency planning help to anticipate liquidity in different situations. The bank's Board of Directors approves the liquidity strategy and the principles of liquidity management. In addition, the Board of Directors approves the quality targets for the liquidity buffer, the funding plan and the liquidity contingency plan.

The key ratio for measuring liquidity risk is the liquidity coverage ratio (LCR), specified in the EU's Capital Requirements Regulation. The 60% minimum requirement for the LCR entered into force on 1 October 2015, and it was increased to 70% on 1 January 2016. The minimum requirement for the LCR will gradually increase to 100 per cent by 1 January 2018. Bonum Bank's LCR was relatively high in 2015, as the Bank was preparing for its role as the central credit institution at the different levels of the amalgamation's liquidity management. Bonum Bank carries out the daily monitoring and planning of the POP Bank group's liquidity situation as part of the central credit institution services.

MARKET RISKS

Market risk refers to the effect of changes in interest rates or other market prices on the bank's result and capital adequacy. The objective of market risk management is to identify and assess market risks related to the business operations, mitigate the risks to an acceptable level and monitor the risk position in real time. Within the amalgamation of POP Banks, the central institution's Board of Directors confirms the market risk strategy and market risk management guidelines, which create the foundation for market risk management at Bonum Bank. Bonum Bank's Board of Directors confirms the maximum levels for market risks and the investment policy. The capital adequacy management process is a central process for the measurement and monitoring of the market risk included in the financial account, involving the establishment of capital reserves for market risk.

INTEREST RATE RISKS

The financial account interest rate risk is the most significant market risk in Bonum Bank'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. The objective of interest rate management is to stabilise the interest rate risk involved in the bank's balance sheet to a level at which business is profitable but the result or capital adequacy is not compromised even in the event of strong changes in the interest rate environment.

Interest rate risk arises from the financial account, which consists of the liquidity portfolio, card business, financial items and the lending and borrowing activities of Bonum Bank's retail banking business. Liquidity portfolio investment activities constitute the largest single source of interest rate risk. Bonum Bank did not use any derivatives in 2015.

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

OPERATIONAL RISKS

Operational risks refer to financial losses or other harmful consequences to business that may be caused by internal inadequacies or errors in systems, processes, procedures and the actions of personnel, or by external factors affecting the business. All business processes, including credit and investment processes, involve operational risks. The operational risk of Bonum Bank's business is subject to special observation due to the continuing business projects and outsourcing.

Operational risks are managed by risk surveys, seeking to identify, assess and classify the risk exposure involved in business processes and projects. A continuity and contingency plan is prepared for all operational risks identified as major risks, specifying the ways of acting, as well as guidelines, in case the risk materialises. The aim is to minimise any sources of risks within processes, set controls and checkpoints and restrict any direct losses and indirect harm to the bank's business caused by any materialisation of risks.

Attempts are made to minimise any materialisation of operational risks by increasing the personnel's risk awareness and continuous development, as well as comprehensive operating instructions and internal control measures, such as by segregating preparation, decision-making, implementation and control from each other whenever possible.

The bank is prepared through a special insurance policy for any operational risks materialising in its banking operations and for any losses caused by them. Any materialisation of legal risks is reduced, for their part, by the adopted standard contract terms and conditions that are largely in use. Risks caused by malfunctions of information systems are prepared for through continuity planning.

Operational risks are monitored by collecting information on operational risk events, financial losses and any malpractices encountered. The management utilises reporting produced by internal control on compliance with instructions and information on changes in the operating environment.

STRATEGIC RISK

Strategic risk arises from choosing a wrong strategy or business model, unsuccessful implementation of strategy, changes in the competitive environment or responding too slowly to changes. Bonum Bank considers the business model, reputation risk, economic trends and competition as the most important sources of strategic risk.

In accordance with the strategic objectives specified in the business plan, Bonum Bank must be able to secure the basic operations needed by POP Banks. Potential strategic threats have been taken into account when estimating capital needs. The prepared strategy focuses on the stabilisation of the card business and the central credit institution activities needed by the member banks in the amalgamation.

The bank aims to minimise strategic risks by means of regular updates of its strategic and annual plans. Analyses of the condition of the POP Bank group and the development of its business, as well as analyses and estimates concerning the development of the sector, competition and financial operating environment are utilised in the planning.

INTERNAL CONTROL

The purpose of internal control is to ensure that the organisation complies with regulations, carries out comprehensive risk management and operates efficiently and reliably. Bonum Bank's internal control serves to ensure that the objectives and goals set for different levels of the bank are achieved according to the agreed and specified internal control guidelines. Internal control refers to the monitoring conducted by the administrative bodies and the organisation within the Bank, primarily focusing on the operational status, quality and results. Internal control is performed by the Board of Directors, the CEO, the management,

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supervisors and salaried employees. In addition, employees are obligated to report any detected deviations and illegal actions.

INTERNAL AUDIT

The purpose of internal audit is to assess the scope and sufficiency of the internal control of the bank's operational organisation and to monitor and assess the functionality of risk management systems. Internal audit reports its observations primarily to the Bank's Board of Directors. After audits, the bank's Board of Directors discusses the summaries prepared as a result of the internal audit.

BONUM BANK'S CORPORATE GOVERNANCE AND PERSONNEL

The Annual General Meeting of 24 February 2015 adopted the financial statements for 2014 and granted discharge from liability to the Bank's Board members and the CEO. The Board of Directors of Bonum Bank Ltd is composed of six members. The Board of Directors convened 15 times during the year.

Regular Board members:

Chairman of the Board of Directors	Ossi Karesvuo	Managing Director
Vice Chairman of the Board of Directors	Ilkka Harjunpää	Managing Director
Member	Timo Hulkko	Director
Member	Soile Pusa	Managing Director
Member	Markku Ristiniemi	Managing Director
Member	Mikael Zilliacus	CLO

Bonum Bank's CEO is Anders Dahlqvist and the deputy CEO is Lassi Vepsäläinen.

Bonum Bank employed 13 people at the end of the year, all of them full time. The professional competence of employees is maintained and developed in accordance with the bank's needs, the changing operating environment, employees' individual expertise requirements and any changes taking place in these requirements.

AUDIT

The company's auditor was KPMG Ltd with Johanna Gråsten, Authorised Public Accountant, as the main auditor.

THE BANK'S MANAGEMENT AND CONTROL SYSTEMS

The bank's functions are controlled by its shareholder, which exercises its decision-making power at the General Meeting in accordance with the Finnish Limited Liability Companies Act and the Articles of Association. The Annual General Meeting decides on the distribution of profit of the Bank and elects the members of the Board of Directors.

The bank is represented by and directed by the Board of Directors. Operational decisions concerning the bank's business operations and strategic issues are made by the bank's Board of Directors. The work of the Board of Directors is based on the bank's Articles of Association, decisions of the General Meeting and applicable legislation. The bank's CEO manages the bank's routine administration in accordance with the instructions provided by the Board of Directors.

The investigation of the independence of Board members and the CEO takes place in accordance with regulations issued by the Finnish Financial Supervisory Authority. Board members and the CEO shall provide an account of the entities in which they operate when they are elected to their office. In addition, Board members and the CEO shall provide an account of fitness and propriety according to the regulation by the Financial Supervisory Authority when they accept their duties.

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COMPENSATION PROGRAMME

DECISION-MAKING PROCESS USED IN THE SPECIFICATION OF THE COMPENSATION PROGRAMME

The bank’s Board of Directors is responsible for compensation issues. The bank does not have a compensation committee appointed by the Board for the management of the compensation programme. It was not considered necessary due to the narrow scope of the bank’s business. The bank’s Board of Directors monitors the compensation programmes and annually assesses their effectiveness.

The bank’s compliance function verifies once a year whether the compensation programme approved by the Bank’s Board of Directors has been complied with. The compensation of control functions’ personnel is independent of the business area being supervised.

RELATIONSHIP BETWEEN COMPENSATION AND RESULT

The compensation programme shall be in line with the bank's business strategy, objectives and values and support the bank's long-term benefit. The compensation programme shall also be in harmony with the bank's proper and effective risk management and risk-bearing capacity and promote them.

CRITERIA USED IN THE ASSESSMENT OF PERFORMANCE, RISK-BASED CHANGES TO THE AMOUNT OF COMPENSATION, POSTPONEMENT PRACTICES AND COMPENSATION PAYMENT CRITERIA

The variable compensation of any beneficiary at the bank may not exceed EUR 50,000 for an earnings period of one year. The bank may decide not to pay any variable compensation either partially or at all in the event the bank's capital adequacy is less than 10.5%.

Severance pay or other compensation payable to an employee is paid if employment terminates prematurely. The principles referred to above are taken into account in payment and the payment criteria are laid down so that compensation is not paid for failed performance. The Board of Directors decides on the payment of compensation.

FIXED AND VARIABLE COMPENSATION

The variable compensation under the compensation programme may be at most 100% of the fixed annual salary.

KEY PARAMETERS AND CRITERIA APPLIED IN THE SPECIFICATION OF VARIABLE COMPENSATION AND OTHER FRINGE BENEFITS

The bank's variable compensation is subject to the following principles:

1. The compensation is based on an overall assessment of the performance of the compensation beneficiary and the designated business unit and on the overall result of the bank and its business development. When performance is assessed, financial and other factors as well as long-term result are considered.
2. Additionally, risks, sufficiency of capital, amount of distributable equity and liquidity at the time of assessment are taken into account when determining the compensation amount. Variable compensation cannot be paid if it jeopardises the achievement of the bank’s minimum capital adequacy objective.
3. The bank will not pay any unconditional variable compensation or be committed to a compensation programme based on the compensation beneficiary’s previous employment relationship unless the Board of Directors of the Bank separately so decides for a weighty reason and within the framework set by regulation.

AGGREGATE INFORMATION ON COMPENSATION TO THE MANAGEMENT AND MEMBERS OF PERSONNEL WHO HAVE A SIGNIFICANT IMPACT ON THE RISK PROFILE OF THE BANK

The bank maintains a list of the following persons and the compensation paid to them:

1. The bank's CEO and persons managing the bank in addition to the CEO,
2. Another person whose actions have a significant impact on the bank's risk position,

3. A person who works in the company's internal control functions independent of business operations,
4. Another person whose total amount of compensation is not significantly different from the persons referred to in sections 1 and 2.

The Bank did not pay any variable compensations during the financial period.

PAID COMPENSATIONS

The bank did not pay any variable compensations, start-up payments or severance payments during the financial period. Severance pay is specified in the employment contracts.

The bank has not paid compensation of over EUR 1 million during the financial period.

KEY OUTSOURCED OPERATIONS

Bonum Bank's bank system is outsourced to Samlink Ltd, in which the member banks of the amalgamation have a holding of 5.23%. Bonum Bank's accounting is managed at Paikallispankkien PP-Laskenta Ltd, wholly owned by Samlink Ltd. Payment message handling at Bonum Bank (excluding internal payments within the POP Bank group) is carried out through SWIFT Service Bureau provided by Tieto Plc.

Card business services are outsourced to Samlink, Nets Ltd, Intrum Justitia Ltd, TAG Ltd, LocalTapiola Mutual Insurance Company and Suomen Asiakastieto Ltd.

Internal audit at Bonum Bank is outsourced to PWC Ltd, on the basis of confirmed audit plans. The bank's capital adequacy management process and its implementation were audited during the year, as well as the bank's investment and liquidity risk management processes. At Bonum Bank, internal audit is based on the internal audit guidelines confirmed by the Board of Directors and the audit plan approved by the Board of Directors.

DEPOSIT GUARANTEE

Bonum Bank is a member of the Deposit Guarantee Fund, which protects the deposits of customers to a maximum of EUR 100,000. Bonum Bank's operations focus on central credit institution services provided for the member banks of the amalgamation. Therefore, the Deposit Guarantee Fund is of minor significance.

SOCIAL RESPONSIBILITY

POP Bank group's social responsibility is described in the group's financial statements. Bonum Bank's social responsibility refers to the Bank's responsibility for the effects of its operations on the surrounding society and the company's stakeholders. By acting as the central credit institution for POP Banks, Bonum Bank for its part supports the social responsibility of local POP Banks.

EVENTS AFTER THE FINANCIAL PERIOD

No such significant events have taken place at Bonum Bank after the balance sheet date that would have a material effect on the information presented in the financial statements.

BUSINESS DEVELOPMENT IN 2016

Bonum Bank continues its preparations for wholesale funding and the issuance of a bond on behalf of the amalgamation of POP Banks. In addition, the bank will apply for an international credit rating in co-operation with the amalgamation. The competitiveness of the amalgamation of POP Banks will be improved through the extension of treasury services. Bonum Bank aims to offer the amalgamation banks short- and long-term unsecured funding.

The bank's card activities will be streamlined and projects of the banks included in the amalgamation will be supported, particularly projects related to the amalgamation's strategy. The Bank's activities require investments in the personnel, the personnel's training, risk management and internal control. Bonum Bank's retail banking will be developed through means such as the provision of POP Banks' authentication services and e-paying.

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Bonum Bank is a shareholder in Visa Europe and has been delivering Visa Europe's card services. Authorised by the shareholders of the company, Visa Europe's Board of Directors has agreed on the selling of the company to the American Visa Inc. company, providing that the required official permissions are granted. The realisation of the sale is expected to be confirmed in 2016 and, when realised, Bonum Bank Ltd will receive approximately EUR 1.4 million in other operating income before taxes. In addition to the payment made in connection with the deal, additional purchase price may be paid 4–12 years later. However, the completion of the business transaction and the price depend on a number of legal and other insecurity factors. These include, for example, the profitability of the business of Visa Europe and the Visa Inc. company, the development of the Visa Inc. share price, the development of the US dollar and the final results of some legal proceedings. Therefore, for the time being, Bonum Bank will not recognise even part of the selling price.

Eight banks withdrew from POP Bank Alliance in 2015. Therefore, the service contracts between them and Bonum Bank will terminate. The service contracts of two banks terminated at year-end, and the rest will terminate in 2016. The planning and implementation of the withdrawal will continue throughout the winter and spring. The withdrawal of the banks will be visible in Bonum Bank's business operations so that the volumes of payment and card transactions transmitted through the bank will decrease and the bank's balance sheet will contract during the financial year.

THE BOARD OF DIRECTORS' PROPOSAL ON THE DISPOSAL OF DISTRIBUTABLE FUNDS

Bonum Bank's distributable funds amounted to EUR 318 thousand.

Bonum Bank's Board of Directors proposes to the Annual General Meeting that the profit for the financial year, EUR 306 thousand, be entered as accumulated retained earnings with no dividend paid.

CALCULATION OF KEY FIGURES

$$Cost - to - income\ ratio, \% =$$

$$\frac{\begin{array}{c} administrative\ expenses +\ depreciation\ and\ impairment\ losses\ on\ tangible\ and \\ intangible\ assets + other\ operating\ expenses \end{array}}{\begin{array}{c} net\ interest\ income + income\ from\ equity\ investments + net\ fee\ income + \\ net\ income\ from\ available - for - sale\ financial\ assets + net\ income\ from \\ curreny\ operation\ and\ securities\ trading + changes\ in\ fair\ value\ reserve + \\ net\ income\ from\ investment\ properties +\ other\ operating\ income + \\ share\ of\ the\ profit\ of\ associated\ companies \end{array}} \cdot 100$$

$$Return\ on\ equity\ (ROE), \% =$$

$$\frac{Operating\ profit\ (loss)\ -\ Income\ taxes}{\begin{array}{c} Equity\ and\ minority\ interest\ +\ Accumulated\ appropriations \\ less\ deferred\ tax\ liability\ (average\ of\ beginning\ and\ end\ of\ year) \end{array}} \cdot 100$$

$$Returnon\ assets\ (ROA), \% =$$

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

$$Equity\ ratio, \% \ = \frac{\begin{array}{c}Equity\ and\ minority\ interest\\ +\ Accumulated\ appropriations\ less\ deferred\ tax\ liability\end{array}}{Balance\ sheet\ total} \cdot 100$$

$$Capital\ adequacy\ ratio, \% \ = \frac{Capital\ and\ reserves\ total}{Minimum\ requirement\ for\ own\ funds\ total} \cdot 100$$

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INCOME STATEMENT

(EUR 1,000)	Note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014	Change, %
Interest income	Note 3	2,043	68	...
Interest expenses	Note 3	-311	0	...
Net interest income		1,732	68	...
Net commissions and fees	Note 4	2,416	434	456
Net investment income	Note 5	163	-	...
Other operating income	Note 6	1,539	847	82
Total operating income		**5,850**	**1,349**	334
Personnel expenses	Note 7	-1,032	-772	34
Other operating expenses	Note 8	-3,799	-800	375
Depreciation and amortisation on property, plant and equipment and intangible assets	Note 9	-491	-31	...
Total operating expenses		**-5,322**	**-1,603**	232
Impairment losses on loans and receivables	Note 14	-262	-	...
Profit before taxes		**265**	**-254**	...
Income taxes	Note 10	41	8	...
Result for the period		**306**	**-246**	...

STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	Note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014	Change, %
Profit for the period		306	-246	...
Other comprehensive income				
Items that may be reclassified to profit or loss				
Changes in fair value reserve				
From measurement of available-for-sale financial assets	Note 22	-81	-	...
Total comprehensive income		**225**	**-246**	...

Bonum Bank is a subsidiary wholly owned by POP Bank Alliance.

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BALANCE SHEET

(EUR 1,000)	Note	31 Dec 2015	31 Dec 2014	1 Jan 2014
Assets				
Cash funds	Note 13	159,147	4	-
Loans and advances to credit institutions	Note 14	47,725	18,037	8,188
Loans and advances to customers	Note 14	43,944	-	-
Investment assets	Note 15	171,147	1,000	-
Intangible assets	Note 16	2,932	2,440	78
Property, plant and equipment	Note 17	50	62	40
Other assets	Note 18	1,893	1,196	167
Tax assets	Note 19	495	486	8
Total assets		**427,333**	**23,225**	**8,481**
Liabilities				
Liabilities to credit institutions	Note 20	390,200	-	-
Liabilities to customers	Note 20	7,007	0	-
Other liabilities	Note 21	9,453	2,726	214
Tax liabilities	Note 21	435	490	12
Total liabilities		**407,095**	**3,217**	**226**
Equity				
Share capital	Note 22	10,000	10,000	6,000
Reserves	Note 22	9,919	10,000	2,000
Profit (loss) for previous financial years	Note 22	12	255	255
Profit (loss) for the period		306	-246	-
Total equity		**20,237**	**20,008**	**8,255**
Total liabilities and equity		**427,333**	**23,225**	**8,481**

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STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity
Equity on 1 January 2015	**10,000**	**-**	**10,000**	**8**	**20,008**
Total comprehensive income					
Profit for the period				306	306
Other comprehensive income		-81			-81
Other changes				4	4
Equity on 31 December 2015	**10,000**	**-81**	**10,000**	**318**	**20,237**

(EUR 1,000)	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity
Equity on 1 January 2014	**6,000**	**-**	**2,000**	**255**	**8,255**
Total comprehensive income					
Profit for the period				-246	-246
Transactions with shareholders					
Increase in share capital	4,000				4,000
Increase in invested unrestricted equity fund			8,000		8,000
Equity on 31 December 2014	**10,000**	**-**	**10,000**	**8**	**20,008**

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CASH FLOW STATEMENT

(EUR 1,000)	2015	2014
Cash flow from operations		
Profit for the period	306	-246
Adjustments to result for the financial year	603	27
Increase (-) or decrease (+) in business assets	**-217,747**	**-4,746**
Receivables from credit institutions	-1,706	-3,717
Receivables from customers	-44,097	-
Notes and bonds	-171,248	-
Other assets	-697	-1,029
Increase (+) or decrease (-) in business liabilities	**403,934**	**2,520**
Liabilities to credit institutions	390,200	-
Liabilities to customers	7,007	-
Provisions and other liabilities	6,727	2,512
Income taxes paid	-	8
Total cash flow from operations	**187,096**	**-2,446**
Cash flow from investments		
Increases in held-to-maturity financial assets	-	-1,000
Decreases in held-to-maturity financial assets	1,000	-
Increases in other investments	-	-
Decreases in other investments	-	-
Investments in tangible and intangible assets	-971	-2,419
Total cash flow from investments	**29**	**-3,419**
Cash flow from financing		
Increases in share capital	-	4,000
Other increases in equity items	-	8,000
Total cash flow from financing	**-**	**12,000**
Change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	8,842	2,706
Cash and cash equivalents at end of period	195,967	8,842
Net change in cash and cash equivalents	**187,125**	**6,135**
Interest received	1,055	66
Interest paid	222	0
Adjustments to result for the financial year	**603**	**27**

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(EUR 1,000)	2015	2014
Non-cash items and other adjustments		
Impairment losses on receivables	153	-
Unrealised net gains on foreign exchange operations	-	-
Depreciation	491	31
Other	-41	-5
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-	3
Total adjustments	**-**	**3**
Cash and cash equivalents		
Cash funds	159,147	4
Receivables from credit institutions repayable on demand	36,820	8,838
Total	**195,967**	**8,842**

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NOTES CONCERNING THE PREPARATION OF THE FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING POLICIES

GENERAL

BONUM BANK LTD AND POP BANK GROUP

Bonum Bank Ltd (hereinafter 'Bonum Bank') is a subsidiary wholly owned by POP Bank Alliance and a member credit institution in the amalgamation of POP Banks, acting as the central credit institution for the member banks of the POP Bank Alliance (POP Banks). Bonum Bank takes care of POP Banks' payment transfer accounts and transfers payment transactions between the customers of POP Banks and other banks, makes the minimum reserve deposits for POP Banks in the Bank of Finland, receives deposits for POP Banks and grants credits to POP Banks that they need to ensure their liquidity. In addition, Bonum Bank manages the liquidity of the amalgamation of POP Banks and operates in the financing wholesale market. Bonum Bank's duties also include operations related to Visa cards of POP Banks' customers. Bonum Bank has been the issuer of POP Bank's payment cards since June 2015.

Bonum Bank's registered office is Espoo. Copies of Bonum Bank's financial statements are available from the office of POP Bank Alliance, address Hevosenkenkä 3, 02600 Espoo, Finland, or online at www.bonumpankki.fi.

Bonum Bank belongs to the POP Bank group. The POP Bank group consists of the amalgamation of POP Banks and companies over which it has control. The group is engaged in banking and insurance business. The central institution for the amalgamation of POP Banks is POP Bank Alliance. Its members consist of Bonum Bank and 26 co-operative banks. The amalgamation of POP Banks is an economic entity specified in the Act on the Amalgamation of Deposit Banks, the members of which are jointly liable for each other's debts and commitments.

The central institution of POP Banks has prepared the POP Bank group's consolidated financial statements in accordance with the Act on the Amalgamation of Deposit Banks. Copies of the financial statements of the POP Bank group are available online at www.poppankki.fi or from the office of the central institution, address Hevosenkenkä 3, 02600 Espoo, Finland. The POP Bank group presents the Pillar 3 capital adequacy information in accordance with the EU's Capital Requirements Regulation (575/2013) in the Notes to the financial statements.

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Bonum Bank's financial statements 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 financial statements of 31 December 2015 are Bonum Bank's first IFRS financial statements. The transition date to IFRS was 1 January 2014. The effects of the transition on Bonum Bank's result and balance sheet are described in more detail in Note 29.

The figures in Bonum Bank's financial statements are in thousand euros unless otherwise indicated. The figures in the notes are rounded, whereby the sum total of individual figures may deviate from the sum total presented in a table or calculation. Assets and liabilities denominated in currencies other than euro have been translated into euro at the exchange rate of the balance sheet date. Exchange rate differences resulting from measurement have been recognised in net investment income in the income statement.

Bonum Bank's financial statements are based on original cost, with the exception of available-for-sale financial assets, which have been measured at fair value. Bonum Bank has no subsidiaries or associated companies.

FINANCIAL INSTRUMENTS

CLASSIFICATION AND RECOGNITION IN THE BALANCE SHEET

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

- Available-for-sale financial assets
- Investments held to maturity

- Loans and receivables
- Other financial liabilities

The recognition of financial instruments in Bonum Bank's balance sheet is not dependent on the categorisation presented in the notes for measurement. The division into measurement categories of financial assets and liabilities recognised in the balance sheet is presented in Note 12. Purchases and sales of financial instruments are recognised on the transaction date. Loans granted are recognised in the balance sheet on the date when the customer draws down the loan.

On initial recognition, all financial assets and liabilities are recognised at fair value. The transaction costs of financial instruments are included in the acquisition cost.

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

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

<u>Available-for-sale financial assets</u>

Notes and bonds that are not recognised at fair value through profit or loss and that may be sold before their maturity are recognised in available-for-sale financial assets. Bonum Bank has no equity investments. Available-for-sale financial assets are measured at fair value, and unrealised change in value is recognised in other comprehensive income. Change in value is reclassified from other comprehensive income to the income statement into net investment income upon transfer or impairment.

<u>Investments held to maturity</u>

Investments held to maturity are notes and bonds with fixed and definable payments and fixed maturity that are intended to and can be held to maturity. Investments held to maturity are measured at amortised cost. The difference between acquisition cost and nominal price is recognised as interest income or decrease of interest income.

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

<u>Loans and receivables</u>

Receivables from credit institutions as well as loans and advances to the public and general government are recognised as loans and receivables. Loans and advances to the public consist mainly of credit card receivables. Loans and receivables are recognised at amortised cost.

<u>Other financial liabilities</u>

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

DETERMINATION OF FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the valuation date.

The fair value of a financial instrument is determined on the basis of prices quoted in an active markets or, where no active market exists, using standard valuation techniques. A market is considered as active if price quotes are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. The current bid price is used as the quoted market price of financial assets.

If the market has a commonly used valuation technique applied to a financial instrument to which the fair value is not directly available, the fair value is based on a commonly used market price calculation model and market quotations of the inputs used by the model.

If the valuation technique is not commonly used in the market, a valuation model created for the instrument in question is used to determine the fair value. Valuation models are based on commonly used measurement methods and cover all the components that market participants would consider in setting a price. The valuation prices used include prices of market transactions, discounted cash flows and the fair value of another substantially similar instrument at the balance sheet date. The valuation techniques take into account estimated credit risk, applicable discount rates, the possibility of early repayment and other factors that affect the reliable measurement of the fair value of a financial instrument.

The fair values of financial instruments are categorised into three hierarchy levels, depending on the fair value determination technique:

- quoted fair values in active markets for identical assets or liabilities (Level 1)
- fair values determined using inputs other than Level 1 quoted prices that are observable for assets or liabilities, either directly (e.g. as prices) or indirectly (e.g. derived from prices) (Level 2)
- fair values that are determined using input data which are essentially not based on observable market data (Level 3).

The fair value hierarchy level into which a particular item measured at fair value is classified in its entirety is determined at the lowest level of input information for the whole item. The importance of the input data is assessed in its entirety in relation to the item that is measured at fair value.

IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The impairment loss on a financial asset other than an asset measured at fair value through profit or loss is recognised in the income statement if there is objective evidence of impairment. Objective evidence is assessed at the end of each reporting period.

Available-for-sale financial assets

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

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

Bonum Bank had no equity investments at the balance sheet date.

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Investments held to maturity

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

At the balance sheet date, Bonum Bank had no investments held to maturity.

Loans and receivables

Impairment loss on loans and receivables is assessed on an individual basis or on a collective basis for groups of similar receivables. Bonum Bank's loans and receivables are mainly card credit receivables and do not include any significant individual receivables. Therefore, impairment loss on card credit receivables is assessed only on a collective basis.

Collective impairment is assessed by dividing receivables with similar credit risk characteristics into groups. Impairment losses that have materialised according to the assessment but cannot be allocated to an individual receivable are recognised collectively. When determining collective impairment loss, the previous loss development of groups with similar credit risk characteristics is taken into account.

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

Loans and receivables are derecognised when no further payments are expected and the actual final loss can be determined. The final credit loss is recognised on an individual basis. Payments on derecognised receivables received later are recognised in the income statement as an adjustment of impairment losses.

INTANGIBLE ASSETS

Intangible assets included in Bonum Bank's balance sheet mainly consist of acquisition costs of information systems. The costs of development carried out by Bonum Bank's strategic partners are capitalised as intangible assets when the result of the development work is an identifiable intangible asset that is under Bonum Bank's control and produces economic benefit for Bonum Bank. The most important intangible assets are the information systems for central credit institution operations and card business. Bonum Bank has not capitalised internally produced intangible assets.

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

The amortisation of the acquisition cost of intangible assets begins when the asset is ready to be taken into use. Intangible assets under development are annually tested for impairment. Research costs are recorded as expenses as they occur.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment included in Bonum Bank's balance sheet consist of machines and equipment that are recognised in the balance sheet at cost less depreciation and impairment. Depreciation is based on the economic life of the assets. The economic life for machinery and equipment is 3–10 years.

Depreciation and impairment on property, plant and equipment are included in depreciation, amortisation and impairment loss on intangible assets and property, plant and equipment.

LEASES

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

EMPLOYEE BENEFITS

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

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

Post-employment benefits consist of pensions and other benefits paid out after the end of employment. The statutory pension coverage is provided by external pension insurance companies. Bonum Bank's pension plans are defined contribution plans. Expenses from defined contribution plans are recognised in personnel expenses in the period during which they are charged by the insurance company. Bonum Bank has no defined benefit pension plans.

PRINCIPLES FOR RECOGNISING INCOME AND EXPENSES

Interest income and expenses

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

Negative reference rates had no material effect on Bonum Bank's net interest income. Negative interest income paid by Bonum Bank is shown in interest expenses, and the negative interest expense charged to the customer bank is shown in interest income.

Commissions and fees income and expenses

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

Income from development charges

Bonum Bank has collected development charges included in other operating income from its customer banks for the development of the central credit institution operations and the card business. These payments have not been recognised insofar as they are used for covering expenses included in the acquisition cost of an intangible asset. Unrecognised payments have been treated as advances and included in other liabilities in the balance sheet. These payments are recognised when Bonum Bank uses the intangible asset to earn income. Unrecognised payments also include items that Bonum Bank has undertaken to refund to co-operative banks that have withdrawn from POP Bank Alliance.

Presentation of income statement items in the financial statements:

Net interest income	Interest income and expenses on financial assets and liabilities, the amount of amortisation on the difference between the nominal and acquisition values.
Net investment income	Realised sales gains and losses arising from available-for-sale financial assets, impairment, sales gains and losses

Other operating income	Income from central credit institution services, development charges collected from banks and other operating income.
Personnel expenses	Salaries and remuneration, pension expenses and other indirect personnel expenses
Other operating expenses	Administrative expenses, rental expenses and other business operations-related expenses

INCOME TAXES

The income statement includes taxes on Bonum Bank's taxable income for the financial year, adjustments to taxes from previous financial years and changes in deferred taxes. Tax expenses are recognised in the income statement excluding items that are directly related to equity or other items recognised in other comprehensive income, in which case the tax effect is also included in these items.

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

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

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

SEGMENT REPORTING

Bonum Bank is engaged in the banking business. Thus, the bank has only one operational segment, which is why its financial statements do not include segment reporting.

ACCOUNTING POLICIES REQUIRING MANAGEMENT'S JUDGEMENT AND UNCERTAINTY FACTORS AFFECTING ESTIMATES

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

FAIR VALUE ASSESSMENT

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

IMPAIRMENT

The management must assess at regular intervals whether there is objective evidence of impairment of a financial or other asset and, when necessary, carry out impairment testing on the asset. The verification of objective evidence involves management's judgement.

The impairment testing of available-for-sale financial assets, as well as notes and bonds included in loans and receivables must be conducted at the end of the reporting period. If there is objective evidence of impairment, any impairment loss is recognised in the income statement.

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The impairment testing of receivables is carried out on a collective basis. Bonum Bank has no significant individual receivables, which is why receivable-specific testing is not performed. The most important matters that require assessment are the identification of objective factors and future cash flows. The principles of collective impairment are described in more detail under Impairment losses on financial assets.

An intangible asset's recoverable amount is determined in the impairment assessment on the basis of the use value or fair value of the asset. Impairment testing requires management's judgement and assessment of the recoverable amount of the asset in question, as well as the interest rate used for discounting. In addition, management's judgement is required for the evaluation of intangible assets under development.

NEW IFRS STANDARDS AND INTERPRETATIONS

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

Changes and amendments to existing standards

- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage entities to apply judgement in determining what information to disclose in the financial statements. For instance, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial statements. The amendments are not expected to have a material effect on Bonum Bank's financial statements.
- Annual improvements to IFRS, 2012–2014 cycle (effective for financial years beginning on or after 1 January 2016): The Annual Improvements procedure provides minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments are related to four standards. Their effects vary depending on the standard, but they are not significant.

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

- New IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018): The standard replaces the existing standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the recognition and measurement of financial instruments. This also includes a new expected credit loss model for calculating impairment on financial assets. Furthermore, the general hedge accounting requirements have been revised. The requirements of IAS 39 on recognition and derecognition of financial instruments have been retained. Bonum Bank is assessing the effects of the standard. The impairment rules are expected to have a material effect on Bonum Bank's financial statements.
- New IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018): IFRS 15 addresses revenue recognition and specifies new information to be presented in the financial statements concerning the nature, quantity and uncertainty of sales revenue, as well as cash flows related to sales revenue. The standard replaces the standards IAS 18 Revenue and IAS 11 Construction Contracts and the interpretation IFRIC 13 Customer Loyalty Programmes. Under IFRS 15, an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Bonum Bank has started assessing the possible impact of IFRS 15.

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

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NOTE 2 PRINCIPLES OF RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT

CAPITAL ADEQUACY MANAGEMENT

The objective of Bonum Bank's capital adequacy management is to ensure the bank's risk-bearing capacity in relation to the risks involved in the business operations, as well as to ensure the sufficiency and efficient allocation of capital. To achieve this objective, the bank identifies and assesses risks involved in its business operations, dimensions its capital needs on a risk basis and prepares a capital plan to achieve its objectives. The capital adequacy management process also aims at maintaining and developing high-quality risk management.

By acting in accordance with the business plan approved by the Board of Directors, the bank is able to keep the risks involved in its business operations manageable and moderate in relation to its risk-bearing capacity. The bank's Board of Directors is responsible for the capital adequacy management and the determination of risk limits related to operations. The bank's Board of Directors annually reviews the risks related to the bank's capital adequacy management, the capital plan and the specified risk limits and, when necessary, modifies the objectives.

In its capital adequacy management process, the bank prepares result, growth and capital adequacy forecasts, taking into account needs for strategic changes in the central credit institution operations in accordance with the business plan and its significant projects in 2016. On the basis of the forecasts, the bank charts the necessary measures by means of which the capital adequacy objective in accordance with the business strategy can be maintained.

The bank applies the standard approach for the calculation of the capital requirement for credit risk and the basic indicator approach for operational risk. The capital plan is supplemented by risk area-specific Pillar 2 risk assessments and stress tests.

The POP Bank group discloses the so-called Pillar 3 capital adequacy information in its financial statements. The financial statements of the POP Bank group are available from the office of the central institution POP Bank Alliance, address Hevosenkenkä 3, 02600 Espoo, Finland, or online at www.poppankki.fi.

OWN FUNDS AND CAPITAL ADEQUACY

Bonum Bank's own funds consist of share capital, non-restricted reserves and retained earnings less the deductible items in accordance with the EU's Capital Requirements Regulation (No. 575/2013) Bonum Bank's CET1 ratio at the end of the financial year was 19.5 per cent (264.3 per cent). In 2014, Bonum Bank's equity capital was strengthened when preparing for the business operations to be launched in 2015. This led to a high capital adequacy ratio at the end of 2014. In 2015, Bonum Bank Ltd's capital adequacy was affected by the launching of central credit institution operations in accordance with the business plan. The central credit institution services, liquidity portfolio investment operations and card business significantly increased the balance sheet. In the first half of the year, they increased the amount of risk-weighted receivables, normalising the bank's capital adequacy ratio to the target level specified in the business plan. Furthermore, the launching of the card business and central credit institution services contributed to the increase of the capital requirement for operational risk.

In addition to the statutory eight per cent leverage ratio requirement, a fixed 2.5 per cent additional capital requirement became applicable on 1 January 2015, as well as a variable additional capital requirement which the authorities can set at 0–2.5%, if necessary. So far, the Finnish Financial Supervisory Authority has not set a variable additional capital requirement (countercyclical capital buffer requirement) or used other macroprudential means. In practice, the 2.5 per cent fixed additional capital requirement lifts the minimum levels of capital adequacy ratio and CET1 ratio to 10.5 and 7 per cent, respectively.

CAPITAL ADEQUACY KEY FIGURES

Bonum Bank's own funds totalled EUR 17,409 thousand (19,747). Tier 1 (T1) capital amounted to EUR 17,409 thousand (19,747) and consisted wholly of Common Equity Tier 1 (CET1) capital. Own funds did not include any Additional Tier 1 (AT1) capital or Tier 2 (T2) capital. Bonum Bank's own funds including the profit for the period totalled EUR 17,715 thousand (19,747).

The capitalisation of expenses related to the preparation of the amalgamation, carried out at the end of 2015 in accordance with the IFRS regulations, affected the amount of Tier 1 capital. As a result of the capitalisation, EUR

2,518 thousand deduction on intangible assets was made from Tier 1 capital. The capitalisation will not give rise to profit or loss in the future years, but the decrease in intangible assets will release own funds in capital adequacy calculations through amortisation.

The total amount of Pillar 1 risk-weighted items was EUR 89,175 thousand (7,472), consisting mainly of receivables from credit institutions and companies and retail customers' card credits. The minimum requirement for own funds was EUR 7,134 thousand (597) and the capital buffer to minimum capital requirement was EUR 10,276 (19,149).

The capital ratio of Bonum Bank Ltd was 19.5% at the end of 2015 (264.3%). The ratio of Tier 1 capital (T1) to risk-weighted items was 19.5% (264.26%).

RISK MANAGEMENT

Since December 2015, Bonum Bank is part of the amalgamation of POP Banks. A more detailed description of the objectives, organisation and internal control of risk management in the amalgamation can be found in the Annual Report of the amalgamation of POP Banks.

OBJECTIVE OF RISK MANAGEMENT

The objective of risk management is to ensure that the risks involved in the bank's business operations have been identified, assessed and restricted and that risks are monitored in accordance with good risk management principles and the principles of internal control. Risk management constitutes part of capital adequacy management, aiming to ensure that risk levels are in correct proportion to the bank's risk-bearing capacity. From the perspective of Bonum Bank's business, the essential areas of risk management are credit risks, interest rate risks, financial risks, operational risks and strategic risks.

PRINCIPLES AND ORGANISATION OF RISK MANAGEMENT

At Bonum Bank Ltd, risk management is an integral part of daily business management. It is based on the business plan, risk strategy, capital adequacy management guidelines, risk management guidelines, decision-making and action authorisations approved by the Board of Directors, as well as risk and result reporting produced for the various subareas of business operations.

The Board of Directors receives regular reports on exposure levels of the bank's business and its ongoing projects as well as the development of risks. The Board of Directors approves the authorisations and framework for risk-taking in business by specifying the allowed exposure limits for credit, market and liquidity risks. The management is in charge of the daily exposure monitoring and supervision within the scope of the authorisations. In their monitoring activities, the management utilise reports concerning the various risk areas produced by different systems. Systems and practices intended for reporting on risks and monitoring them meet the requirements set for risk management, taking the nature and scope of the bank's operations into account.

CREDIT RISKS

Credit risk refers to a situation in which a counterparty cannot fulfil its liability to pay as agreed. Credit risk management aims at limiting the effects to profit and capital adequacy of credit risks resulting from investment activities and any other customer receivables to a manageable level.

The main credit risk management method is counterparty-specific credit limit framework. It ensures sufficient spreading of credit risk in accordance with the credit counterparty's ability to pay. The business strategy and credit exposure management guidelines approved by the Board of Directors specify the maximum limits for risk concentrations and act as guidelines for the targeting of investment activities and lending by customer sector, industry and credit exposure class. The most significant credit risks are associated with liquidity portfolio investment activities and card business.

The bank's Board of Directors makes the credit limit decisions concerning liquidity portfolio investment activities. The Board of Directors has delegated investment authorisations to the management of the bank and other designated employees by way of the credit exposure policy. Investment decisions are made according to the investment policy, credit exposure policy and credit exposure management guidelines approved by the Board of Directors of the bank, spreading the risks. Credit limit decisions are mainly based on an evaluation of the counterparty's creditworthiness, ability to pay and collateral.

Private customers' creditworthiness is evaluated on the basis of an application rating model based on mathematical statistics and on the basis of POP Banks' good customer knowledge which helps them to evaluate their customers' repayment ability. Other lending activities are based on the customer's ability to pay, as well as sufficient and safe collateral.

Bonum Bank's credit risk exposure was increased in accordance with the business plan in 2015.

At the end of the financial year, Bonum Bank's investment assets totalled EUR 171,147 thousand (1,000). The investment assets included in the liquidity portfolio include notes and bonds issued by governments, municipalities, financial institutions and companies with good credit ratings, backed securities and ECB collateral eligible loans. In addition, Bonum Bank's liquidity portfolio included EUR 47,725 thousand (18,037) of current cash in bank. The notes and bonds in the liquidity portfolio are measured in the balance sheet on the basis of mark-to-market valuations.

At the end of the financial year, Bonum Bank's card credit portfolio totalled EUR 39,547 thousand (–). In 2015, EUR 109 thousand (–) were recognised as credit loss on card credits. A EUR 153 thousand (–) collective provision for impairment loss has been made for 2016. No credit loss or non-performing receivables were recognised on other banking items. Other loan receivables from retail banking totalled EUR 4,039 thousand (–).

Balance sheet items exposed to credit risk totalled EUR 262,815 thousand (19,038). Bonum Bank's off-balance sheet binding loan commitments amounted to EUR 101,165 thousand (–). These consisted of free credit limits of card credits and POP Banks' liquidity commitments.

Receivables past due (EUR 1,000)	31 Dec 2015	31 Dec 2014
31–90 days	42	0
90–180 days	59	0
Total	**101**	**0**

CONCENTRATIONS OF RISK

Concentrations of credit risk may arise from liabilities concentrated on a specific counterparty, counterparty group or industry. Furthermore, similarity of products and collaterals may lead to a concentration of credit risk.

The total amount of credit granted by Bonum Bank to a single customer and/or customer entity must not exceed the maximum amounts confirmed in the EU's Capital Requirements Regulation (No. 575/2013), other statutory orders or the regulations and guidelines provided by the Finnish Financial Supervisory Authority or other supervisory authority.

Receivables from the banking sector constitute Bonum Bank's largest risk concentration. The amount of receivables consists of the necessary liquid management-related deposit receivables and LCR and ECB collateral eligible notes and bonds. The quality of receivables is limited by instrument group and maturity category and through guarantee requirements. Receivables from credit institutions constitute 30.4% of total receivables in the balance sheet.

(EUR 1,000)	2015	2014
Counterparty distribution of liquid assets		
From central banks	159,147	0
Governments and public bodies	74,587	0
Credit institutions	115,183	19,037
From	29,102	0

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companies		
Total	**378,019**	**19,037**

LIQUIDITY RISKS

Liquidity risk refers to Bonum Bank'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.

Liquidity risks are prepared for by maintaining a liquidity portfolio which helps the bank to manage long enough without external financing. Financial planning in asset liability management and liquidity contingency planning help to anticipate liquidity in different situations. The bank's Board of Directors approves the liquidity strategy and the principles of liquidity management. In addition, the Board of Directors approves the quality targets for the liquidity buffer, the funding plan and the liquidity contingency plan.

The key ratio for measuring liquidity risk is the liquidity coverage ratio (LCR), specified in the EU's Capital Requirements Regulation. The 60% minimum requirement for the LCR entered into force on 1 October 2015, and it was increased to 70% on 1 January 2016. The minimum requirement for the LCR will gradually increase to 100 per cent by 1 January 2018. Bonum Bank's LCR was relatively high in 2015, as the Bank was preparing for its role as the central credit institution at the different levels of the amalgamation's liquidity management. Bonum Bank carries out the daily monitoring and planning of the POP Bank group's liquidity situation as part of the central credit institution services.

At year-end, Bonum Bank's LCR in accordance with the amalgamation's calculation rules was 153.3 per cent. The Bank's LCR-eligible assets totalled EUR 258.1 million, of which 99.0 per cent were L1-eligible liquid assets.

LCR (EUR 1,000)	31 Dec 2015
Liquid assets (LCR)	258,070
Net cash outflow	168,321
Liquidity coverage ratio (LCR)	**153%**

Balance sheet items considered as liquid assets at 31 Dec 2015 (EUR 1,000)	2015	2014
Debt securities eligible for refinancing with central banks	**75,647**	**0**
From general government	20,069	0
From credit institutions	50,469	0
From others	5,108	0
Other notes and bonds	**95,500**	**1,000**
From general government	4,007	0
From municipalities	50,511	0
From credit institutions	16,989	1,000
From companies	23,993	0
Deposits	**206,872**	**18,037**
Fixed-term	10,905	9,199
Repayable on demand	36,820	8,838
Balances at central banks	159,147	0

Total	**378,019**	**19,037**

In 2015, Bonum Bank did not have any financing external to the POP Bank group. The central credit institution for the amalgamation, Bonum Bank will prepare for starting wholesale funding.

Maturity distribution of financial liabilities (EUR 1,000)	Under 3 months	3–12 months	1–5 years	Over 5 years	Total
31 Dec 2015					
Financial liabilities					
Deposits	7,007	-	-	-	7,007
Derivative instruments	-	-	-	-	-
Issued debt instruments	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-
Liabilities to credit institutions	114,710	177,231	-	98,260	390,200
Total	**121,717**	**177,231**	**-**	**98,260**	**397,208**

Maturity distribution of financial liabilities (EUR 1,000)	Under 3 months	3–12 months	1–5 years	Over 5 years	Total
31 Dec 2014					
Financial liabilities					
Deposits	0	-	-	-	0
Derivative instruments	-	-	-	-	-
Issued debt instruments	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-
Liabilities to credit institutions	-	-	-	-	-
Total	**0**	**-**	**-**	**-**	**0**

MARKET RISKS

Market risk refers to the effect of changes in interest rates or other market prices on the bank's result and capital adequacy. The objective of market risk management is to identify and assess market risks related to the business operations, mitigate the risks to an acceptable level and monitor the risk position in real time. Within the amalgamation of POP Banks, the central institution's Board of Directors confirms the market risk strategy and market risk management guidelines, which create the foundation for market risk management at Bonum Bank. Bonum Bank's Board of Directors confirms the maximum levels for market risks and the investment policy. The capital adequacy management process is a central process for the measurement and monitoring of the market risk included in the financial account, involving the establishment of capital reserves for market risk.

INTEREST RATE RISKS

The financial account interest rate risk is the most significant market risk in Bonum Bank'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. The objective of interest rate management is to stabilise the interest rate risk involved in the bank's balance sheet to a level at which business is

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profitable but the result or capital adequacy is not compromised even in the event of strong changes in the interest rate environment.

Interest rate risk arises from the financial account, which consists of the liquidity portfolio, card business, financial items and the lending and borrowing activities of Bonum Bank's retail banking business. Liquidity portfolio investment activities constitute the largest single source of interest rate risk. Bonum Bank did not use any derivatives in 2015.

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

Interest rate sensitivity analysis, effect of 1 percentage point parallel change in interest rate

			31 Dec 2015
(EUR 1,000)	Change	Effect on result	Effect on equity
Interest rate risk	+1 percentage point	-427	-802
Interest rate risk	-1 percentage point	-1	612

The profit and loss effect of the interest rate risk is based on 12 month change in net interest income. The effect on equity has been determined through present value change in balance sheet. There is no reference data from 2014.

OPERATIONAL RISKS

Operational risks refer to financial losses or other harmful consequences to business that may be caused by internal inadequacies or errors in systems, processes, procedures and the actions of personnel, or by external factors affecting the business. All business processes, including credit and investment processes, involve operational risks. The operational risk of Bonum Bank's business is subject to special observation due to the continuing business projects and outsourcing.

Operational risks are managed by risk surveys, seeking to identify, assess and classify the risk exposure involved in business processes and projects. A continuity and contingency plan is prepared for all operational risks identified as major risks, specifying the ways of acting, as well as guidelines, in case the risk materialises. The aim is to minimise any sources of risks within processes, set controls and checkpoints and restrict any direct losses and indirect harm to the bank's business caused by any materialisation of risks.

Attempts are made to minimise any materialisation of operational risks by increasing the personnel's risk awareness and continuous development, as well as comprehensive operating instructions and internal control measures, such as by segregating preparation, decision-making, implementation and control from each other whenever possible.

The bank is prepared through a special insurance policy for any operational risks materialising in its banking operations and for any losses caused by them. Any materialisation of legal risks is reduced, for their part, by the adopted standard contract terms and conditions that are largely in use. Risks caused by malfunctions of information systems are prepared for through continuity planning.

Operational risks are monitored by collecting information on operational risk events, financial losses and any malpractices encountered. The management utilises reporting produced by internal control on compliance with instructions and information on changes in the operating environment.

None of the occurrences of operational risks meet the loss event criteria in the Finnish Financial Supervisory Authority's annual notification.

STRATEGIC RISK

Strategic risk arises from choosing a wrong strategy or business model, unsuccessful implementation of strategy, changes in the competitive environment or responding too slowly to changes. Bonum Bank considers the business model, reputation risk, economic trends and competition as the most important sources of strategic risk.

In accordance with the strategic objectives specified in the business plan, Bonum Bank must be able to secure the basic operations needed by POP Banks. Potential strategic threats have been taken into account when estimating capital needs. The prepared strategy focuses on the stabilisation of the card business and the central credit institution activities needed by the member banks in the amalgamation.

The bank aims to minimise strategic risks by means of regular updates of its strategic and annual plans. Analyses of the condition of the POP Bank group and the development of its business, as well as analyses and estimates concerning the development of the sector, competition and financial operating environment are utilised in the planning.

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NOTES TO THE INCOME STATEMENT

NOTE 3 INTEREST INCOME AND EXPENSES

(EUR 1,000)	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Interest income		
On receivables and debts from credit institutions	426	68
On receivables from customers	1,288	-
On notes and bonds	329	0
Other interest income	0	0
Total interest income	**2,043**	**68**
Interest expenses		
On receivables and debts to credit institutions	-311	0
Other interest expenses	0	0
Total interest expenses	**-311**	**0**
Net interest income	**1,732**	**68**

Bonum Bank has no interest income on impaired receivables, as it has no significant individual receivables with recognised impairment loss. Interest income includes negative interests from credit institutions, and interest expenses include negative interests paid.

NOTE 4 NET COMMISSIONS AND FEES

(EUR 1,000)	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Fee and commission income		
Lending	31	-
Deposits	686	-
Payment transfers	3,521	3,018
Other	73	-
Total fee and commission income	**4,310**	**3,018**
Fee and commission expenses		
Payment transfers	-718	-2,578
Securities	-271	-706
Card business	-173	-
Other	-732	700
Total fee and commission expenses	**-1,894**	**-2,584**
Net commissions and fees	**2,416**	**434**

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NOTE 5 NET INVESTMENT INCOME

(EUR 1,000)	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Net gains from foreign currency transactions	143	-
Net income from available-for-sale financial assets		
Notes and bonds		
Gains and losses from sales	26	-
Reclassified from fair value reserve	-7	-
Total net investment income	**163**	-

NOTE 6 OTHER OPERATING INCOME

(EUR 1,000)	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Business development fees from banks	1,357	819
Central credit institution services excl. payment transfer	145	-
Other income	37	28
Total other operating income	**1,539**	**847**

NOTE 7 PERSONNEL EXPENSES

(EUR 1,000)	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Salaries and remuneration	-837	-628
Indirect personnel expenses	-36	-26
Pension expenses		
Defined contribution plans	-160	-118
Total personnel expenses	**-1,032**	**-772**

Remunerations to related parties are presented in Note 27.

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NOTE 8 OTHER OPERATING INCOME

(EUR 1,000)	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Other administrative expenses		
Other personnel expenses	-93	-122
Office expenses	-1,619	-169
ICT expenses	-1,450	-74
Telecommunications	-125	-15
Representation and marketing expenses	-7	-3
Other administrative expenses total	**-3,294**	**-383**
Other operating expenses		
Rental expenses	-173	-83
Bank levy	0	-4
Consulting fees	-202	-149
Audit fees		
Statutory audit	-11	-8
Other services	-13	-
Other	-107	-173
Other operating expenses total	**-505**	**-417**
Total other operating expenses	**-3,799**	**-800**

NOTE 9 DEPRECIATION AND AMORTISATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(EUR 1,000)	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Machinery and equipment	-15	-9
Intangible assets	-475	-22
Total depreciation and amortisation of property, plant and equipment and intangible assets	**-491**	**-31**

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NOTE 10 INCOME TAXES

(EUR 1,000)	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Change in deferred tax assets	-32	486
Change in deferred tax liabilities	72	-478
Total income taxes	**41**	**8**
Domestic income tax rate	20%	20%

Reconciliation between tax expense in the income statement and tax expense calculated using the applicable tax rate

(EUR 1,000)	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Accounting profit before tax	265	-254
Tax calculated at the tax rate	-53	51
+ Tax-exempt income	122	-
- Non-deductible expenses	-72	0
- Taxable earnings not included in the result	-	486
+ Deductible expenses not included in the result	1	-486
+ Use of tax losses carried forward from previous years	34	-
- Deferred tax assets not recognised on losses	9	58
Taxes in the income statement	**41**	**8**

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NOTE 11 CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

(EUR 1,000)	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Available-for-sale financial assets		
Interest income	241	-
Amounts shown in the income statement	-7	-
Gains and losses from sales	26	-
Income and expenses from financial assets classified as held for sale	**260**	**-**
Financial assets held to maturity		
Interest income*	88	0
Total income and expenses on financial assets held to maturity	**88**	**0**
Loans and receivables		
Interest income	1,714	68
Other income	716	-
Impairment of loans and receivables	-153	-
Total net income on loans and receivables	**2,278**	**68**
Other financial liabilities		
Interest expenses	-311	0
Total income and expenses on other financial liabilities	**-311**	**0**
Net gains from foreign currency transactions	**143**	**-**
Total carrying amounts of financial assets and liabilities	**2,458**	**68**
Other operating income and expenses	**-2,192**	**-322**
Profit before taxes	**265**	**-254**

*Interest income accrued before reclassification.

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NOTES TO ASSETS

NOTE 12 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Assets 31 Dec 2015

(EUR 1,000)	Loans and receivables	Available-for-sale	Total carrying amount
Cash funds	159,147	-	159,147
Loans and advances to credit institutions	47,725	-	47,725
Loans and advances to customers	43,944	-	43,944
Investment assets			
Notes and bonds	-	171,147	171,147
Total financial assets	**250,816**	**171,147**	**421,963**

Liabilities 31 Dec 2015

(EUR 1,000)	Other financial liabilities	Total carrying amount
Liabilities to credit institutions	390,200	390,200
Liabilities to customers	7,007	7,007
Total financial liabilities	**397,208**	**397,208**

In the financial year 2015, Bonum Bank has reclassified EUR 63,744 thousand of investments held to maturity into available-for-sale financial assets. Because of the reclassification, the bank cannot classify investments into investments held to maturity in the next two financial years. The reclassification was a result of the change in Bonum Bank’s investment policy that is associated with the bank’s capital adequacy management and the adjustment of its investment position to match the expected changes in the business volume.

Assets 31 Dec 2014

(EUR 1,000)	Loans and receivables	Held to maturity	Total carrying amount
Cash funds	4	-	4
Loans and advances to credit institutions	18,037	-	18,037
Investment assets			
Notes and bonds	-	1,000	1,000
Total financial assets	**18,041**	**1,000**	**19,041**

Liabilities 31 Dec 2014

(EUR 1,000)	Other financial liabilities	Total carrying amount
Liabilities to customers	0	0
Total financial liabilities	**0**	**0**

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Assets 1 Jan 2014

(EUR 1,000)	Loans and receivables	Total carrying amount
Loans and advances to credit institutions	8,188	8,188
Total financial assets	**8,188**	**8,188**

NOTE 13 CASH FUNDS

(EUR 1,000)	2015	2014	1 Jan 2014
Receivables from central banks repayable on demand	159,147	4	-
Total cash funds	**159,147**	**4**	-

A current account at the Bank of Finland is included in cash funds.

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NOTE 14 LOANS AND RECEIVABLES

(EUR 1,000)	2015	2014	1 Jan 2014
Loans and advances to credit institutions			
Deposits			
Repayable on demand	36,820	8,838	2,706
Other	10,905	9,199	5,482
Total loans and advances to credit institutions	**47,725**	**18,037**	**8,188**
Loans and advances to customers			
Loans	4,039	-	-
Credit card receivables	39,395	-	-
Other receivables	510	-	-
Total loans and advances to customers	**43,944**	-	-
Total loans and receivables	**91,669**	**18,037**	**8,188**

Impairment losses recorded on loans and receivables

(EUR 1,000)	2015	2014
-/+ Change in collectively assessed impairment losses	-153	-
- Final credit losses	-109	-
Impairment losses on loans and receivables	**-262**	-

Accrued impairment losses on loans and receivables in the balance sheet

(EUR 1,000)	2015	2014
Impairment losses 1 January	-	-
+/- Change in collectively assessed impairment losses	153	-
Impairment losses 31 December	**153**	-

Impairment losses have been recognised on card credit receivables. Impairment testing is carried out on a collective basis.

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NOTE 15 INVESTMENT ASSETS

(EUR 1,000)	2015	2014	1 Jan 2014
Available-for-sale financial assets			
Quoted notes and bonds measured at fair value			
From general government	80,637	-	-
From others	90,509	-	-
Investments held to maturity			
Notes and bonds measured at amortised cost			
From others	-	1,000	-
Total investment assets	**171,147**	**1,000**	-

Bonum Bank is a Principal Member in Visa Europe. Authorised by the shareholders of the company, Visa Europe's Board of Directors has agreed on the selling of the company to the American Visa Inc. company. The approval of the authorities is required before this can be realised. The realisation of the sale is expected to be confirmed in the second quarter of 2016.

NOTE 16 INTANGIBLE ASSETS

Bonum Bank's intangible assets are information systems implemented by POP Bank group's partners, over which Bonum Bank has control as referred to in IAS 38 Intangible assets. The most important of these partners is Samlink Ltd. The most significant intangible assets are information systems used for central bank services and card business. Other intangible assets consist of licences, etc.

(EUR 1,000)	2015	2014	1 Jan 2014
Information systems	2,932	-	-
Other intangible assets	1	11	36
Intangible assets under development	-	2,429	42
Total intangible assets	**2,932**	**2,440**	**78**

Changes in intangible assets 2015

(EUR 1,000)	Information systems	Other intangible assets	Intangible assets under development	Total
Acquisition cost on 1 Jan	-	319	2,429	2,749
+ Increases	3,407	-10	-	3,396
- Decreases	-	-	-2,429	-2,429
Acquisition cost on 31 Dec	3,407	309	-	3,716
Accumulated amortisation and impairments on 1 Jan	-	-308	-	-308
- Amortisation	-475	-	-	-475
Accumulated amortisation and impairments on 31 Dec	-475	-308	-	-784
Carrying amount on 1 Jan	-	11	2,429	2,440
Carrying amount on 31 Dec	2,932	1	-	2,932

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Changes in intangible assets 2014

(EUR 1,000)	Information systems	Other intangible assets	Intangible assets under development	Total
Acquisition cost on 1 Jan	6	327	42	374
+ Increases	-	-	2,387	2,387
- Decreases	-	-8	-	-8
Acquisition cost on 31 Dec	6	319	2,429	2,754
Accumulated amortisation and impairments on 1 Jan	-5	-291	-	-297
+/- Accumulated amortisation on decreases	-	5	-	5
- Amortisation	0	-22	-	-22
Accumulated amortisation and impairments on 31 Dec	-6	-308	-	-314
Carrying amount on 1 Jan	0	36	42	78
Carrying amount on 31 Dec	-	11	2,429	2,440

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

Changes in machinery and equipment

(EUR 1,000)	2015	2014
Acquisition cost on 1 Jan	83	51
+ Increases	4	32
Acquisition cost on 31 Dec	86	83
Accumulated depreciation and impairments on 1 Jan	-21	-12
- Depreciation	-15	-9
Accumulated depreciation and impairments on 31 Dec	-36	-21
Carrying amount on 1 Jan	62	40
Carrying amount on 31 Dec	50	62

NOTE 18 OTHER ASSETS

(EUR 1,000)	2015	2014	1 Jan 2014
Accrued income and prepaid expenses			
Interest	1,186	24	7
Other accrued income and prepaid expenses	656	1,172	160
Other	50	-	-
Other assets total	**1,893**	**1,196**	**167**

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NOTE 19 DEFERRED TAXES

(EUR 1,000)	2015	2014	1 Jan 2014
Deferred tax assets	495	486	-
Income tax receivables	-	-	8
Tax assets	**495**	**486**	**8**
Deferred tax liabilities	435	490	12
Total tax liabilities	**435**	**490**	**12**

Deferred tax assets on

(EUR 1,000)	1 Jan 2015	Recognised through profit and loss	Recognised in other comprehensive income	31 Dec 2015
Available-for-sale financial assets	-	-	41	41
Collective impairment losses	-	31	-	31
Advances received	486	-72	-	414
Tax losses	-	9	-	9
Deferred tax assets total	**486**	**-32**	**41**	**495**

(EUR 1,000)	1 Jan 2014	Recognised through profit and loss	Recognised in other comprehensive income	31 Dec 2014
Advances received	-	486	-	486
Deferred tax assets total	**-**	**486**	**0**	**486**

Bonum Bank had EUR 216 thousand in tax losses carried forward in the comparison period, on which no deferred tax asset was recognised in the comparison period. A deferred tax asset on the remaining loss was recognised at the end of the financial year 2015. The losses will expire in 2024.

Deferred tax liabilities on

(EUR 1,000)	1 Jan 2015	Recognised through profit and loss	Recognised in other comprehensive income	Recognised in equity	31 Dec 2015
Appropriations	5	-1	-	-4	-
Available-for-sale financial assets	-	-	21	-	21
Intangible assets	486	-72	-	-	414
Deferred tax liabilities total	**490**	**-72**	**21**	**-4**	**435**

(EUR 1,000)	1 Jan 2014	Recognised through profit and loss	31 Dec 2014
Appropriations	4	1	5
Intangible assets	8	477	486
Deferred tax liabilities total	**12**	**478**	**490**

Amounts recognised in other comprehensive income and related deferred taxes 2015

(EUR 1,000)	Gross change	Deferred tax	Net change
Fair value reserve	-101	20	-81
Amounts recognised in other comprehensive income, total	**-101**	**20**	**-81**

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NOTES RELATING TO LIABILITIES AND EQUITY

NOTE 20 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	2015	2014	1 Jan 2014
Liabilities to credit institutions			
Liabilities to central banks	79,450	-	-
Liabilities to credit institutions			
Repayable on demand	195,160	-	-
Other	115,591	-	-
Total liabilities to credit institutions	**390,200**	-	-
Liabilities to customers			
Deposits			
Repayable on demand	7,007	0	-
Total liabilities to customers	**7,007**	**0**	-
Total liabilities to credit institutions and customers	**397,208**	**0**	-

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NOTE 21 OTHER LIABILITIES

(EUR 1,000)	2015	2014	1 Jan 2014
Other liabilities			
Payment transfer liabilities	476	37	-
Accrued expenses			
Interest payable	90	-	-
Other accrued expenses	855	239	214
Other			
Liabilities on card transactions	3,598	-	-
Advances received	2,932	2,429	-
Other	1,503	21	-
Total	**9,453**	**2,726**	**214**

In order to cover the development costs of the information systems used for central credit institution activities and card business, in 2014 and 2015 Bonum Bank collected development charges from all the banks that used these services. Of these charges collected from the banks, the amount used for covering expenses capitalised as intangible assets have not been recognised. In this case, the payments have been treated as advances and included in other liabilities. The payments are recognised when the intangible asset is used in business operations.

Bonum Bank has undertaken to refund the amounts collected for the development of information systems for central bank activities and card business from the co-operative banks that remained outside the POP Bank group and joined other bank groups. The amounts will be refunded insofar as the banks will not use these services after their withdrawal from the information systems used by the POP Bank group. These commitments amount to EUR 608 thousand (243) and they are included in Advances received. The liability is estimated to fall due in 2016.

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NOTE 22 CAPITAL AND RESERVES

(EUR 1,000)	2015	2014	1 Jan 2014
Share capital	10,000	10,000	6,000
Restricted reserves			
Fair value reserve			
From measurement of available-for-sale financial assets	-81	-	-
Non-restricted reserves			
Reserve for invested non-restricted equity	10,000	10,000	2,000
Retained earnings			
Profit (loss) for previous financial years	12	255	255
Profit (loss) for the period	306	-246	-
Total equity	**20,237**	**20,008**	**8,255**

Share capital

Share capital includes the paid share capital. Bonum Bank has a total of 900,000 shares. No changes took place during the financial year.

Restricted reserves

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

Non-restricted reserves

The reserve for invested non-restricted equity includes the portion of subscription price that is not recognised in share capital.

Retained earnings

Retained earnings are earnings accrued in previous financial years that have not been transferred to equity reserves or distributed to shareholders.

Specification of changes in fair value reserve

(EUR 1,000)	2015	2014
Fair value reserve 1 Jan	-	-
Change in fair value, available-for-sale financial assets	-108	-
Transferred to the income statement	7	-
Deferred taxes	20	-
Fair value reserve 31 Dec	**-81**	**-**

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OTHER NOTES

NOTE 23 COLLATERAL GIVEN AND HELD

(EUR 1,000)	2015	2014	1 Jan 2014
Collateral given			
Given on behalf of own liabilities and commitments			
Other collateral to the Bank of Finland	27,553	-	-
Total collateral given	**27,553**	-	-
Collateral held			
Real estate securities	1,231	-	-
Guarantees received	3,933	-	-
Total collateral held	**5,164**	-	-

NOTE 24 OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	2015	2014	1 Jan 2014
Loan commitments	101,165	-	-
Other	424	559	-
Total off-balance sheet commitments	**101,589**	**559**	-

NOTE 25 FAIR VALUES BY VALUATION TECHNIQUE

Financial assets and financial liabilities 31 Dec 2015

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets recurrently measured at fair value					
Available-for-sale financial assets	80,637	90,509	-	171,147	171,147
Financial assets measured at amortised cost					
Loans and receivables	-	91,380	-	91,380	91,669
Total financial assets	**80,637**	**181,889**	**-**	**262,527**	**262,815**
Financial liabilities measured at amortised cost					
Other financial liabilities	-	396,933	-	396,933	397,208
Total financial liabilities	**-**	**396,933**	**-**	**396,933**	**397,208**

Financial assets and financial liabilities 31 Dec 2014

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(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets measured at amortised cost					
Investments held to maturity	-	996	-	996	1,000
Loans and receivables	-	18,051	-	18,051	18,037
Total financial assets	**-**	**19,046**	**-**	**19,046**	**19,037**
Financial liabilities measured at amortised cost					
Other financial liabilities	-	0	-	0	0
Total financial liabilities	**-**	**0**	**-**	**0**	**0**

Fair value determination of financial assets and liabilities

Financial assets are recorded in the balance sheet either at fair value or at amortised cost. The classification and measurement of financial instruments is described in more detail in Note 1 Accounting policies

Fair value hierarchies

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

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

Level 3 includes financial instruments and other assets that are not measured using market quotations or values determined on the basis of observable market prices using measurement techniques or models. The assumptions applied in the measurement techniques often involve insecurity. The fair value of assets allocated to Level 3 is often based on price information obtained from a third party. This group includes unlisted shares and funds. Bonum Bank has no financial assets allocated to Level 3.

Transfers between fair value hierarchy levels

Transfers between hierarchy levels are considered to have taken place on the date of the occurrence of the event that caused the transfer or the date when the circumstances changed. There were no transfers between levels during the financial year.

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NOTE 26 OPERATING LEASES

Bonum Bank has leased its business premises and equipment used for business operations.

The future minimum lease payments include payments to be paid or received under non-cancellable leases. The non-cancellable portion of leases in effect until further notice is the lease in accordance with the term of notice.

Bonum Bank as a lessee, future minimum lease payments

(EUR 1,000)	2015	2014
within 1 year	166	143
within 1–5 years	257	416
after more than 5 years	-	-
Total	**424**	**559**

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NOTE 27 RELATED PARTY DISCLOSURES

The related parties of Bonum Bank comprise the members of the company's Board of Directors and Executive Group and members of their immediate families. In addition, related parties include Bonum Bank's parent entity POP Bank Alliance, as well as its managing director and deputy managing director. Furthermore, related parties include those entities over which key persons included in the management and/or members of their immediate families have control or joint control. Key persons included in the management comprise Bonum Bank's Board of Directors, CEO and Executive Group. In addition, key persons include POP Bank Alliance's managing director and deputy managing director.

In the financial period 2015, Bonum Bank granted housing and consumption loans to related parties at employee terms. These loans are tied to generally applied reference rates.

Business transactions with related party key persons in 2015

(EUR 1,000)	2015	2014
Assets		
Loans	284	-
Off-balance-sheet commitments		
Loan commitments	13	-

Compensation to key persons in management

(EUR 1,000)	2015	2014
Short-term employee benefits	195	249
Total compensation to key persons in management	**195**	**249**

NOTE 28 EVENTS AFTER THE REPORTING PERIOD

No such significant events have taken place at Bonum Bank after the balance sheet date that would have a material effect on the information presented in the financial statements.

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NOTE 29 TRANSITION TO IFRS

Bonum Bank has adopted IFRS. It reported its financial statements in accordance with the IFRS for the first time on 31 December 2015. The transition date to IFRS was 1 January 2014. The transition affected the accounting policies for the financial statements and the financial statement calculations.

Bonum Bank's balance sheet reconciliation 1 Jan 2014

(EUR 1,000)	reference	FAS 31 Dec 2013	adjustments	IFRS 1 Jan 2014
Assets				
Loans and advances to credit institutions		8,188		8,188
Intangible assets	2)	36	42	78
Property, plant and equipment		40		40
Other assets		167		167
Tax assets		8		8
Total assets		**8,439**	**42**	**8,481**
Liabilities				
Provisions and other liabilities		214		214
Tax liabilities	1), 2)	-	12	12
Total liabilities		**214**	**12**	**226**
Appropriations	1)	19	-19	-
Equity				
Share capital		6,000		6,000
Reserves		2,000		2,000
Retained earnings	1), 2)	206	49	255
Total equity		**8,206**	**49**	**8,255**
Total liabilities and equity		**8,439**	**42**	**8,481**

Bonum Bank's balance sheet reconciliation 31 Dec 2014

(EUR 1,000)	reference	FAS 31 Dec 2014	adjustments	IFRS 31 Dec 2014
Assets				
Cash funds		4		4
Loans and advances to credit institutions		18,037		18,037
Investment assets		1,000		1,000
Intangible assets	2)	11	2,429	2,440
Property, plant and equipment		62		62
Other assets		1,196		1,196
Tax assets	2), 3)	-	486	486
Total assets		**20,310**	**2,915**	**23,225**

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Liabilities				
Liabilities to customers		0		0
Provisions and other liabilities	3), 4)	547	2,179	2,726
Tax liabilities	1), 2)	-	490	490
Total liabilities		**547**	**2,670**	**3,217**
Appropriations	1)	23	-23	-
Equity				
Share capital		10,000		10,000
Reserves		10,000		10,000
Profit (loss) for previous financial years	1), 2), 3), 4)	206	49	255
Profit (loss) for the period		-466	220	-246
Total equity		**19,740**	**269**	**20,008**
Total liabilities and equity		**20,310**	**2,915**	**23,225**

Reconciliation of Bonum Bank's income statement 1 Jan 2014–31 Dec 2014

(EUR 1,000)	reference	FAS 1 Jan–31 Dec 2014	adjustments	IFRS 1 Jan–31 Dec 2014
Interest income		68		68
Interest expenses		0		0
Net interest income		**68**		**68**
Net commissions and fees		434		434
Other operating income	3)	3,277	-2,429	847
Total operating income		**3,779**	**-2,429**	**1,349**
Personnel expenses		-772		-772
Other operating expenses	2)	-3,437	2,637	-800
Amortisation and depreciation on property, plant and equipment and intangible assets		-31		-31
Total operating expenses		**-462**	**2,637**	**-254**
Impairment losses on loans and receivables		-		-
Profit/loss before appropriations and taxes		**-462**	**208**	**-254**
Appropriations	1)	-4	4	-
Income taxes	1)	-	8	8
Result for the period		**-466**	**220**	**-246**

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Reconciliation of Bonum Bank's cash flow statement 1 Jan–31 Dec 2014

(EUR 1,000)	reference	FAS 1 Jan–31 Dec 2014	adjustments	IFRS 1 Jan–31 Dec 2014
Cash flow from operations				
Result for the period	1), 2), 3), 4)	-466	220	-246
Adjustments to result for the financial year		36	-9	27
Increase (-) or decrease (+) in business assets		**-4,746**		**-4,746**
Receivables from credit institutions		-3,717		-3,717
Other assets		-1,029		-1,029
Increase (+) or decrease (-) in business liabilities		**333**	**2,179**	**2,520**
Liabilities to customers		0		-
Provisions and other liabilities	3), 4)	333	2,179	2,512
Income taxes paid		8		8
Total cash flow from operations		**-4,836**	**2,390**	**-2,446**
Cash flow from investments				
Increases in held-to-maturity financial assets		-1,000		-1,000
Investments in tangible and intangible assets	2)	-29	-2,390	-2,419
Total cash flow from investments		**-1,028**	**-2,390**	**-3,419**
Cash flow from financing				
Increases in share capital		4,000		4,000
Other increases in equity items		8,000		8,000
Total cash flow from financing		**12,000**	**-**	**12,000**
Change in cash and cash equivalents				
Cash and cash equivalents at beginning of period		2,706		2,706
Cash and cash equivalents at end of period		8,842		8,842
Net change in cash and cash equivalents		**6,135**	**-**	**6,135**
Interest received		66		66
Interest paid		0		0
Adjustments to result for the financial year		**36**	**-9**	**27**
Non-cash items and other adjustments				
Depreciation		31		31
Other		4	-9	-5

Items presented outside cash flow from operating activities

Capital gains, share of cash flow from investing activities	-	3	3
Total adjustments	**0**	**3**	**3**
Cash and cash equivalents			
Cash funds	4		4
Receivables from credit institutions repayable on demand	8,838		8,838
Total	**8,842**	**-**	**8,842**

Adjustment resulting from the transition to IFRS

The transition to IFRS at Bonum Bank caused changes in the presentation of appropriations, the capitalisation amounts of intangible assets and provisions and other liabilities.

1) Appropriations

Appropriations recognised under FAS were reversed and their amount less deferred tax liability was recorded in equity. The reversal of appropriations increased retained earnings in the opening balance sheet at 1 January 2014 by EUR 15 thousand and retained earnings in the balance sheet of the comparison period as at 31 December 2014 by EUR 19 thousand. The result for the financial year 1 January–31 December 2014 improved by EUR 3 thousand.

2) Intangible assets

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

The capitalisation of intangible assets increased retained earnings in the opening balance sheet as at 1 January 2014 by EUR 33 thousand. The capitalisation decreased other operating expenses recognised in the financial year 1 January–31 December 2014 by EUR 2,637 thousand. On the other hand, other operating income decreased by EUR 2,429 thousand, as development charges collected from customer banks were recognised in advances received. The income will be recognised starting in 2015 as the system is deployed.

3) Other liabilities

In order to cover the development costs of the information systems used for central credit institution activities and card business, in the financial period 1 January–31 December 2014 Bonum Bank collected development charges from all banks that used these services. The charges collected from the banks were recognised under FAS. Under IFRS, however, the amount used for covering expenses capitalised as intangible assets have not been recognised. The payments have been treated as advances and included in other liabilities. The payments are recognised when the intangible asset is used in business operations.

The adjustment to advances decreased other operating income recognised in the financial year 2014 by EUR 2,429 thousand.

4) Provisions

A mandatory provision of EUR 250 thousand was recognised in the FAS financial statements of 31 December 2014 on payments agreed to be refunded to the banks that withdrew from POP Bank Alliance. The mandatory provision was reversed in the IFRS transition, and the amount to be refunded to the withdrawing banks was recognised in other liabilities.

The effect of the transition to the IFRS on retained earnings

The transition to the IFRS increased Bonum Bank's retained earnings.

Reconciliation of Bonum Bank's retained earnings as at 1 January 2014 and 31 December 2014

(EUR 1,000)	1 Jan 2014	31 Dec 2014
Retained earnings (FAS)	206	-260
Adjustments:		
Reversal of depreciation difference	15	19
Reversal of mandatory provision	-	250
Capitalisation of intangible assets	33	1,943
Adjustment to advances received	-	-1,943
Retained earnings (IFRS)	**255**	**8**

Reconciliation of Bonum Bank's deferred taxes at 1 January 2014 and 31 December 2014

The transition to IFRS increased Bonum Bank's deferred tax assets and liabilities. The changes in deferred taxes resulted from the capitalisation of intangible assets and the recognition of related development charges in advances received, as well as the reversal of the amortisation difference.

(EUR 1,000)	1 Jan 2014	31 Dec 2014
Deferred tax assets (FAS)	-	-
Adjustments:		
Adjustment to advances received	-	486
Deferred tax assets (IFRS)	**-**	**486**

(EUR 1,000)	1 Jan 2014	31 Dec 2014
Deferred tax liabilities (FAS)	-	-
Adjustments:		
Reversal of depreciation difference	4	5
Capitalisation of intangible assets	8	486
Deferred tax liabilities (IFRS)	**12**	**490**

Signatures to the financial statements and Board of Directors' report

Espoo, 12 May 2016

Board of Directors of Bonum Bank Ltd

Ossi Karesvuo
Ossi Karesvuo
Chairman of the Board

Ilkka Harjunpää
Ilkka Harjunpää

Timo Hulkko
Timo Hulkko

Hanna Linna
Hanna Linna

Mikael Zilliacus
Mikael Zilliacus

Anders Dahlqvist
Anders Dahlqvist
CEO

Auditor's note

A report on the audit performed has been issued today.

Espoo, 16 May 2016

Johanna Gråsten

Johanna Gråsten

Authorised Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

AUDITOR'S REPORT

To the Annual General Meeting of Bonum Bank Plc (Bonum Banl Ltd. until 5 April 2016)

We have audited the accounting, financial statements, Board of Directors' report and administration of Bonum Bank Ltd for the financial period 1 January–31 December 2015. The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the financial statements and the Board of Directors' report that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the Board of Directors' report in Finland. The Board of Directors is responsible for the appropriate organisation of the supervision of accounting and financial management, and the CEO is responsible for ensuring that accounting is in compliance with the law and that financial management is reliably organised.

Duties of the auditor

Our duty is to issue an opinion of the financial statements and Board of Directors' report on the basis of the audit we performed. The Auditing Act requires that we comply with the principles of professional ethics. We have carried out the audit in accordance with good auditing practice complied with in Finland. Good auditing practice requires that we plan and carry out the audit in order to obtain reasonable assurance whether there are material misstatements in the financial statements or Board of Directors' report and whether members of the Board of Directors or the CEO are guilty of an act or omission that may result in a liability to pay damages to the company or whether they have breached the Act on Credit Institutions, the Limited Liability Companies Act or the Articles of Association.

The audit includes measures to obtain auditing evidence of the figures included in the financial statements and Board of Directors' report and of other information presented in them. The choice of measures is based on the auditor's judgment, which includes an assessment of the risks of material misstatement due to fraud or error. When assessing these risks, the auditor takes into account internal control, which is significant in the company from the point of view of preparing financial statements and a Board of Directors' report providing a true and fair view. The auditor assesses internal control in order to be able to plan appropriate auditing measures in view of the circumstances, but not for the purpose of issuing an opinion of the efficiency of the company's internal control. The audit also includes an assessment of the appropriateness of the accounting principles applied, of the reasonableness of the accounting estimates made by the management and of the general manner of presentation of the financial statements and the Board of Directors' report.

In our view, we have obtained a necessary amount of appropriate auditing evidence as a basis for our opinion.

Opinion of the financial statements and Board of Directors' report

In our opinion, the financial statements give a true and fair view of the bank's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Board of Directors' report provides a true and fair view of the bank's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements and the Board of Directors' report in Finland. There are no discrepancies between the information in the Board of Directors' report and the financial statements.

Espoo, 16 May 2016

KPMG OY AB

Johanna Gråsten

Authorised Public Accountant