

POP Bank Group's

**CORPORATE GOVERNANCE
STATEMENT 2024**

POP BANK GROUP'S CORPORATE GOVERNANCE STATEMENT 2024

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1 INTRODUCTION

This Corporate Governance Statement describes corporate governance at the POP Bank Group. This POP Bank Group Statement applies to the POP Bank Centre Cooperative (POP Bank Centre), which acts as the central institution of the amalgamation of POP Banks and, in accordance with the Act on the Amalgamation of Deposit Banks, controls and supervises its member credit institutions.

Bonum Bank Plc and POP Mortgage Bank Plc, the issuers belonging to the POP Bank Group, prepare their own corporate governance statements. In addition, the other member credit institutions of the POP Bank Centre publish their own corporate governance statements on their websites.

This Statement has been prepared in accordance with the Act on Credit Institutions. POP Bank Centre's operations comply with the corporate governance principles described in this statement and internal guidelines. This Corporate Governance Statement and POP Bank Group's Financial Statements, Board of Directors' Report and Auditor's Report are available on the website of POP Bank Group at www.poppankki.fi.

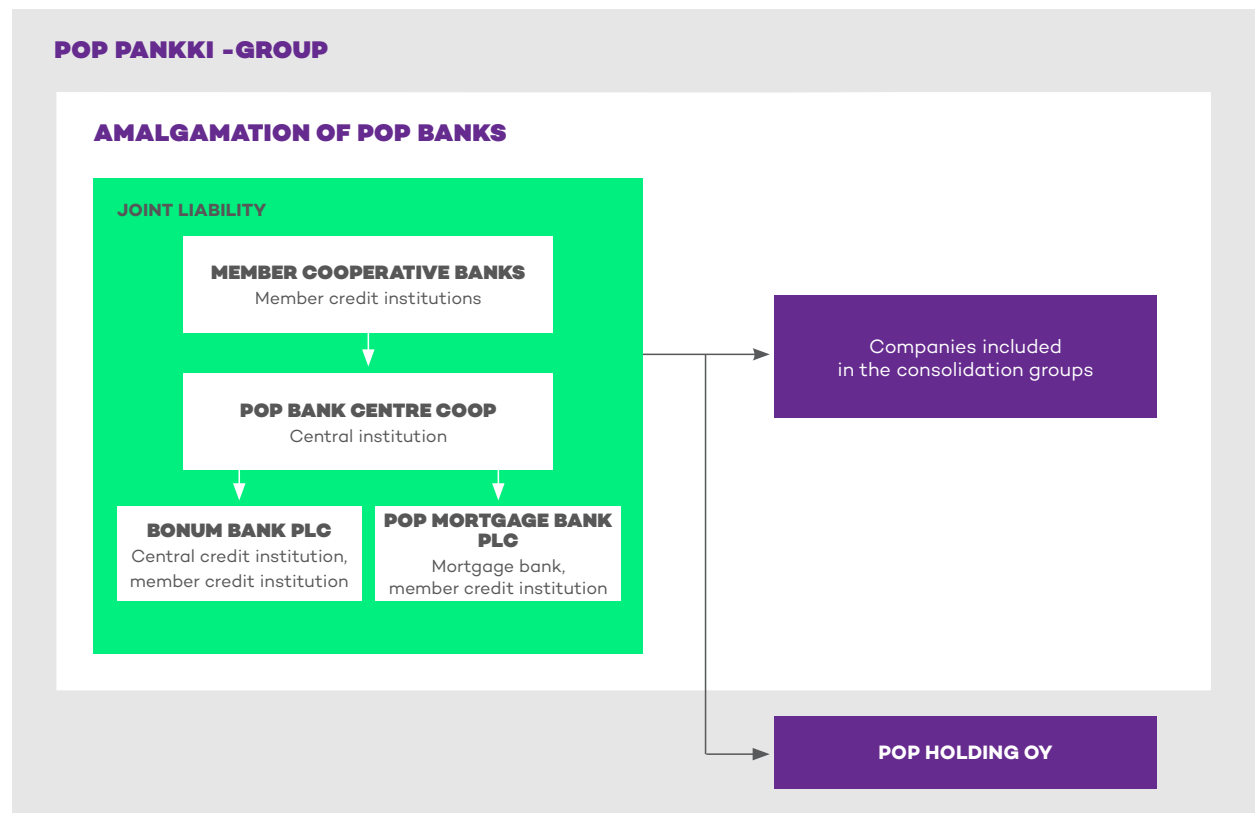
2 STRUCTURE OF POP BANK GROUP

2.1 POP Bank Group

The POP Bank Group is a Finnish financial group that offers retail banking services for private customers and small and medium-sized enterprises. The POP Bank Group consists of the amalgamation of POP Banks and entities in which the members of the amalgamation exercise control together as referred to in the Accounting Act. Entities in the POP Bank Group that are not part of the amalgamation are entities other than credit and financial institutions or service companies.

The POP Bank Group's operations are governed by legislation such as the Act on the Amalgamation of Deposit Banks, the Act on Cooperative Banks and other Credit Institutions in the Form of a Cooperative, the Act on Credit Institutions, the Act on Investment Services, the Cooperatives Act and the Limited Liability Companies Act.

POP BANK GROUP STRUCTURE



The legal structure of the POP Bank Group is described in the figure above.

2 STRUCTURE OF POP BANK GROUP

2.2 Amalgamation Of POP Banks

The amalgamation of POP Banks is an amalgamation of deposit banks in accordance with the Act on the Amalgamation of Deposit Banks. The amalgamation of POP Banks comprises the POP Bank Centre, which is the central institution of the amalgamation; companies belonging to the central credit institution's consolidation group; the central institution's member credit institutions; companies belonging to the member credit institutions' consolidation groups; and credit institutions, financial institutions and service companies in which the above-mentioned institutions jointly hold more than half of the voting rights.

According to the Act on the Amalgamation of Deposit Banks:

- the central institution controls and supervises its member credit institutions;
- the minimum capital requirement and liquidity of the companies belonging to the amalgamation are supervised in a consolidated manner at the level of the amalgamation;
- the central institution is liable for its member credit institutions' debts, and the member credit institutions have an obligation to participate in the support measures necessary to prevent the liquidation of an individual member credit institution, and in the payment of debt repaid by the central institution on behalf of an individual member credit institution.

The central institution prepares the amalgamation's Consolidated Financial Statements and the Sustainability Report in accordance with the Act on the Amalgamation of Deposit Banks.

2 STRUCTURE OF POP BANK GROUP

2.3 POP Bank Centre Coop

POP Bank Centre coop is the central institution of the amalgamation of POP Banks and it is domiciled in Helsinki. The central institution's members may include credit institutions, as referred to in the Act on the Amalgamation of Deposit Banks, whose bylaws or articles of association have been approved by the central institution. The decision to admit a member is made by the Supervisory Board of the central institution.

According to the Act on the Amalgamation of Deposit Banks, the central institution is obliged to supervise the operations of its member credit institutions; issue the member credit institutions with guidelines on risk management, reliable corporate governance and internal control to secure their liquidity and capital adequacy; and provide them with guidelines on compliance with standardised accounting policies in the preparation of the amalgamation's Consolidated Financial Statements. In addition, the central institution has the right to confirm general operating principles for the member credit institutions to follow in operations that are relevant for the amalgamation.

At the cooperative meeting of the central institution, the member credit institutions of the POP Bank Centre decide on the POP Bank Group's strategy, which sets goals and priorities for operations. The POP Bank Centre controls the member credit institutions in line with the confirmed strategy.

2 STRUCTURE OF POP BANK GROUP

2.4 Bonum Bank Plc

Bonum Bank Plc serves as the central credit institution of the amalgamation's member credit institutions. Bonum Bank Plc may also engage in banking activities other than central credit institution activities. In its role as central credit institution, Bonum Bank Plc participates, in accordance with the instructions issued by the central institution, in implementing the amalgamation's control and supervisory tasks, especially in relation to the management of liquidity and balance sheet risk.

Bonum Bank Plc is a wholly owned subsidiary of POP Bank Centre and a member credit institution of the amalgamation of POP Banks. As a member credit institution, Bonum Bank Plc is subject to the central institution's control of its member credit institutions and, as a subsidiary, to the corporate steering of the central institution.

The highest decision-making power at Bonum Bank Plc is vested in the General Meeting where the central institution exercises decision-making power as the only shareholder. The General Meeting elects the Board of Directors and the Board of Directors elects the CEO.

2 STRUCTURE OF POP BANK GROUP

2.5 POP Mortgage Bank Plc

POP Mortgage Bank Plc engages in mortgage banking operations. POP Mortgage Bank Plc is responsible for issuing covered bonds and provides financial services to the member credit institutions of the POP Bank Group that grant mortgage-backed loans through the intermediary loans under the Act on Mortgage Credit Banks and Covered Bonds. Under POP Mortgage Bank Plc's intermediary loan model, POP Mortgage Bank Plc's balance sheet assets consist of receivables from the member credit institutions whose mortgage-backed loans are pledged as collateral for covered bonds issued by POP Mortgage Bank Plc. POP Mortgage Bank Plc is a whol-

ly owned subsidiary of POP Bank Centre and a member credit institution of the amalgamation of POP Banks. As a member credit institution, POP Mortgage Bank Plc is subject to the central institution's control of its member credit institutions and, as a subsidiary, to the corporate steering of the central institution.

The highest decision-making power at POP Mortgage Bank Plc is vested in the General Meeting where the central institution exercises decision-making power as the only shareholder. The General Meeting elects the Board of Directors and the Board of Directors elects the CEO.

2 STRUCTURE OF POP BANK GROUP

2.6 POP Banks

POP Banks are independent deposit banks engaged in retail banking operations that are member credit institutions of the POP Bank Centre. The POP Banks make decisions on their activities independently, in accordance with the instructions and general operating principles issued by the central institution.

POP Banks are cooperatives (cooperative banks), where the highest decision-making power is exercised by the cooperative meeting formed of the members of the credit institution or delegates made up of elected members. A member of each credit institution has one vote at the cooperative meeting and the delegates elections. The cooperative meeting or the delegates elect the credit institution's Supervisory Board, which elects the Board of Directors. The CEO is, according to the rules of the credit institution, appointed by either the Supervisory Board or the Board of Directors.

The consolidation groups of POP Banks include real estate companies.

3 ADMINISTRATION OF POP BANK CENTRE

3.1 Cooperative Meeting

The highest decision-making body of the POP Bank Centre is the cooperative meeting. The members of the cooperative, i.e. the representatives of the central institution's member credit institutions, exercise decision-making power at the meeting.

POP Bank Centre has two ordinary cooperative meetings each year. The spring meeting deals with, among other things, the adoption of the previous financial year's Income Statement and Balance Sheet and the Consolidated Financial Statements. The autumn meeting deals with, among other things, the election of the members of the Supervisory Board and the auditor and the authorised sustainability auditor.

An extraordinary cooperative meeting is held if the Board of Directors or the Supervisory Board considers it necessary or if it is required by law.

At a cooperative meeting, a member has the same number of votes as its shares in the central institution. In addition, a member may have additional votes based on its capital adequacy, which is defined in more detail in the central institution's bylaws.

A member has only one vote in the cooperative meeting if it has received financial support, which meets the criteria specified in the central institution bylaws, for its own financial difficulties based on the cooperative's decision. A member whose minimum amount of own funds has, during the previous calendar year, fallen below that required by the EU Capital Requirements Regulation or the Act on Credit Institutions also has only one vote at the meeting. As subsidiaries of the POP Bank Centre, Bonum Bank Plc and POP Mortgage Bank Plc do not have the right to vote at the POP Bank Centre's cooperative meeting.

3 ADMINISTRATION OF POP BANK CENTRE

3.2 Supervisory Board

3.2.1 Composition of the Supervisory Board and election of its members

The Supervisory Board consists of no less than three (3) and no more than thirty-four (34) members elected by the cooperative meeting, so that one member is elected from each member credit institution, but not from a subsidiary of the central institution operating as a member credit institution. However, a manager or employee from a member credit institution which, under the central institution bylaws has only one vote at the meeting may not be elected to the Supervisory Board. At least two thirds (2/3) of the members of the Supervisory Board must be elected from among persons elected to a position of trust in the member credit institutions'

bodies and the remainder from among the managing directors of the member credit institutions.

The Chair and Vice-Chair of the Supervisory Board are elected at the cooperative's autumn meeting from among the members of the Supervisory Board. Only the Chair of the bank's Board of Directors or the Chair of the Supervisory Board may be elected Chair or Vice-Chair of the Supervisory Board.

The term of office of the members of the Supervisory Board is three years from the end of the cooperative's autumn meeting until three years after the end of the next autumn meeting. About a third of the number of members leave each year, first by drawing lots and then by term of office.

If a new member is elected to the Supervisory Board to replace a member during the term of office, the member will remain in office until the end of the current term of office. The term of office of a member of the Supervisory Board shall expire at the latest at the end of the term of office during which the member reaches the age of 67.

The remuneration of the members of the Supervisory Board is decided by the cooperative meeting. The members of the Supervisory Board do not receive any other benefits by virtue of their office.

3 ADMINISTRATION OF POP BANK CENTRE

3.2 Supervisory Board

3.2.1 Composition of the Supervisory Board and election of its members

Members of the Supervisory Board:

Harri Takala (Chair)	entrepreneur
Ari Voutilainen (Vice-Chair)	Istekki Oy, Director
Heikki Honkaniemi	Metsä Group, forestry expert
Pentti Huostila	agricultural entrepreneur
Tiina Jokinen	SataDiag, radiographer
Timo Kivikoski	CEO of Kyrön Seudun Osuuspankki
Aaro Koljonen	agricultural entrepreneur
Väinö Konttila	CEO of Conmill Oy
Petri Kotilainen	Tilausmatkat Kotilainen, bus operator
Pekka Liimatainen	agricultural entrepreneur
Tuija Riikonen	CEO of Lanneveden Osuuspankki
Hannu Saarimäki	agricultural entrepreneur
Marja Savioja	CEO of Isojoen Osuuspankki
Antti Savola	CEO of Kurikan Osuuspankki
Markku Toivonen	City of Salo, farm relief worker
Arto Uusihonko	agricultural entrepreneur
Jussi Vaahtoniemi	Ostrobothnia Police Department, Police Sergeant
Jaakko Ylitalo	CEO of Kyyjärven Osuuspankin

3 ADMINISTRATION OF POP BANK CENTRE

3.2 Supervisory Board

3.2.2 Tasks of the Supervisory Board

The Supervisory Board is responsible for supervising the governance of the central institution, as carried out by the Board of Directors and the CEO, and that the operations of the central institution are conducted in a professional and diligent manner. In addition to what is otherwise provided for in the law and the rules of the cooperative, the Supervisory Board shall

- supervise that the central institution's operations are conducted in a professional and diligent manner in accordance with the law, these rules and in the interests of the members, and that the approved guidelines and the decisions of the cooperative meeting are complied with;
- elect and dismiss the CEO and decide, in accordance with section 15 of the rules, on the number of members of the Board of Directors, elect and dismiss the members of the Board of Directors and determine the remuneration of the Chair and members of the Board of Directors and appoint the Deputy CEO;
- elect from among its members an employment committee, which acts as a nomination committee, and an audit committee to prepare matters relating to the performance of the task referred to in paragraph 1 above, and any other necessary committees, and adopt their charters;
- issue the Board of Directors with a statement on the strategy of POP Bank Group;
- issue the cooperative's annual spring meeting with a statement of the Financial Statements, Consolidated Financial Statements and Annual Report;
- deal with other matters proposed by the Board of Directors.

3 ADMINISTRATION OF POP BANK CENTRE

3.2 Supervisory Board

3.2.3 Meetings of the Supervisory Board

The Supervisory Board shall meet at the invitation of the Chair or, in their absence, the Vice-Chair, at least twice a year, and shall have a quorum when more than half of the members are present. The opinion supported by the majority or, in the case of a tie, the decision supported by the Chair, shall be the decision. However, in the case of an election, in the event of a tie, the decision is made by drawing lots.

At the meetings of the Supervisory Board, the members of the Board of Directors and the CEO have the right to attend and speak unless the Supervisory Board decides otherwise for a specific matter or meeting



3 ADMINISTRATION OF POP BANK CENTRE

3.2 Supervisory Board

3.2.4 Committees of the Supervisory Board

3.2.4.1 Employment and Nomination Committee

The Employment and Nomination Committee is a body which prepares matters related to the nomination of the members of the central institution's Supervisory Board and Board of Directors, the CEO and the Deputy CEO.

It also prepares matters concerning the remuneration of the members of the Board of Directors, the members of the Supervisory Board and the Chairs. The Committee prepares the matters concerning the CEO's salary when the CEO is appointed.

3.2.4.2 Audit Committee

The Supervisory Board shall elect an Audit Committee from among its members to supervise that the central institution's operations are conducted in a professional and diligent manner in accordance with the law, its rules and in the interests of the members, and that the approved guidelines and the decisions of the cooperative meeting are complied with.

The Audit Committee is also responsible for preparing a proposal to the cooperative meeting regarding the election of the auditor and any deputy auditor, as well as a proposal for their remuneration.

3 ADMINISTRATION OF POP BANK CENTRE

3.3 Board Of Directors

3.3.1 Composition of the Board of Directors and election of its members

The Board of Directors of the central institution consists of no less than five (5) and no more than eight (8) ordinary members elected by the Supervisory Board. At least half of the members of the Board of Directors must be elected from among persons who have an employment relationship or executive contract with the bank. If such a member's employment or executive contract with the bank ends, the member's term of office on the Board shall end immediately.

In terms of its duties, the Board must have sufficient and diverse expertise and experience in the bank's business operations and

the related risks. The diversity of the Board is considered to be a key factor that has a positive impact on the bank's efficiency, competitiveness and risk management and promotes highly competent Board work. The Board also evaluates the independence of its members and ensures that some of the members of the Board are independent.

The Board elects its Chair and Vice-Chair from among its members. The Chair and Vice-Chair must have an employment relationship or executive contract with the bank.

The term of office of the members of the Board of Directors shall be three years, beginning upon closing of the Supervisory Board's meeting, which elects the Board

of Directors, and terminating upon closing the next Supervisory Board's meeting that is held after three years. About a third of the number of members leave each year according to term of office. If a new member is elected to the Board of Directors to replace a member during the term of office, this member will remain in office until the end of the current term of office. The term of office of a member of the Board of Directors shall expire at the latest at the end of the term of office during which the member reaches the age of 67.

The remuneration of the members of the Board of Directors is decided by the Supervisory Board. The members of the Board of Directors do not receive any other benefits by virtue of their office.

3 ADMINISTRATION OF POP BANK CENTRE

3.3 Board Of Directors

3.3.1 Composition of the Board of Directors and election of its members

Members of the Board of Directors:

Timo Kalliomäki (Chair)	CEO of Suomen Osuuspankki
Mikko Seppänen (Vice-Chair)	CEO of Lammin Osuuspankki
Jatta Heikkilä	CEO of Konneveden Osuuspankki
Ilkka Lähteenmäki	Associate Professor, HankenSchool of Economics
Marja Pajulahti	Managing Director of Live Foundation
Matti Vainionpää	Board professional

3 ADMINISTRATION OF POP BANK CENTRE

3.3 Board Of Directors

3.3.2 Duties of the Board of Directors

The Board must manage the central institution in a professional manner and in accordance with sound and prudent business principles. In its operations, the central institution must not be exposed to such a high degree of risk that it poses a material threat to its capital adequacy or liquidity.

The Board's tasks include:

- to be responsible for the appropriate and reliable organisation of the central institution's administration and operations;
- to ensure the appropriate organisation of the control of the central institution's accounting and asset management;
- to approve the POP Bank Group's strategy
- to ensure that the strategy, principles and objectives of the central institution are monitored reliably;
- to decide on the central institution's organisational structure and on the powers conferred upon the CEO, the members of the Executive Board and other central institution employees;
- to elect and dismiss the members of the Executive Board and the director responsible for audit activities, and determine their salary and other benefits;
- to decide on the main lines of the salary development and remuneration policy of the central institution's employees and the remuneration schemes to be implemented at the central institution, and to monitor and evaluate the effectiveness and impact of the remuneration schemes and compliance with them;
- to decide and approve the general internal guidelines governing the central institution's functions and supervise compliance with them;

3 ADMINISTRATION OF POP BANK CENTRE

3.3.2 Duties of the Board of Directors (continued)

- to regularly assess the effectiveness of the central institution's corporate governance systems and take the necessary measures to remedy any shortcomings;
- to decide on changing the POP prime rate;
- to decide on convening a cooperative meeting;
- to decide on the persons entitled to sign for a company;
- to represent the central institution and sign for it;
- to process audit reports, risk assessments, reports and observations on the activities of the central institution and monitor the implementation of the measures required by them;
- to prepare and make proposals on matters to be decided by the Supervisory Board and cooperative meeting;
- to supervise compliance with legislation, the instructions and orders issued by the authorities and the central institution by-laws, as well as the implementation of the instructions and objectives issued by the central institution's bodies and the implementation and observance of decisions.

3 ADMINISTRATION OF POP BANK CENTRE

3.3 Board Of Directors

3.3.3 Meetings of the Board of Directors

The Board shall convene at the invitation of the Chair or, in his absence, the Vice-Chair, whenever they consider it appropriate. The Chair or Vice-Chair shall also convene a meeting of the Board of Directors if the CEO of the central institution or a member of the Board of Directors so requests. The Board has a quorum when more than half of the members are present. The opinion supported by the majority or, in the case of a tie, the decision supported by the Chair, shall be the decision. However, in the case of an election, in the event of a tie, the decision is made by drawing lots.

The Chair and Vice-Chair of the Supervisory Board have the right to attend and speak at Board meetings. The CEO of the central institution has the right to attend and speak at Board meetings, unless the Board decides otherwise for a specific meeting or matter.



3 ADMINISTRATION OF POP BANK CENTRE

3.4 CEO

The CEO is in charge of POP Bank Centre's day-to-day management and governance in accordance with the instructions and orders issued by the Board. The CEO shall be elected and dismissed by the Supervisory Board of the central institution. The Supervisory Board approves the CEO's executive contract. However, the Board of Directors decides on the development of the CEO's salary and other benefits.

To be appointed CEO or Deputy CEO, candidates must have sufficient education, appropriate professional experience for the role, leadership experience and excellent management skills, as well as the qualities that are required to succeed in the role of CEO.

The CEO has the right to represent the central institution in such matters that fall within their duties in accordance with the law and by-laws and the charter. The CEO may undertake measures that are unusual or extensive, considering the scope and quality of the central

institution's operations, only with the authorisation of the Board of Directors, or if it is not possible to wait for the Board's decision without causing material harm to the central institution's operations. In the latter case, the Board must be informed about the measures as soon as possible.

The CEO at POP Bank Centre is Jaakko Pulli, M.Sc. (Econ). The Deputy CEO at POP Bank Centre is Arvi Helenius, LL.M.

3 ADMINISTRATION OF POP BANK CENTRE

3.5 Executive Management

The executive management of the central institution shall mean the CEO and the employees directly subordinate to the CEO who, in addition to the CEO, effectively manage the operations of the central institution. The central institution's executive management comprises the CEO and the members of the Executive Board. The Board of Directors of the central institution appoints an Executive Board which has the task of assisting the CEO. The members of the Executive Board must have sufficient experience and expertise to carry out their tasks and sufficient time for the work of the Executive Board.

Members of the Executive Board:

Jaakko Pulli (Chair)	CEO
Arvi Helenius	CLO, Deputy CEO
Eija Ahola	CFO
Hannu Kaijomaa	CRO
Nuutti Härmä	COO
Rainer Sahlberg	CTO

In addition, **Pia Ali-Tolppa**, CEO Bonum Bank Plc and **Anne-Maarit Makkonen**, Chief Audit Executive of POP Bank Centre coop have the right to attend the meetings of the Executive Board.

3 ADMINISTRATION OF POP BANK CENTRE

3.6 POP Bank Centre's Subsidiaries

The governing bodies of POP Bank Centre Group subsidiaries Bonum Bank Plc and POP Mortgage Bank Plc carry out their duties in accordance with the law, official regulations, bylaws and the Articles of Association.

In their decision-making, Bonum Bank Plc and POP Mortgage Bank Plc take into account the policies issued by POP Bank Centre, which may concern the goals of the company's operations and its level of risk-taking, as well as its brand and partnerships, for example. The Board of Directors of the POP Bank Centre monitors the policies regularly, and updates them if necessary.

The main task of the Board of Directors of Bonum Bank Plc and POP Mortgage Bank Plc is to ensure good corporate governance and the appropriateness of the company's operations in terms of the Group's strategy and operational efficiency. They have no strategic agenda of their own that is different from the Group's strategy.

The subsidiaries need the approval of the Board of Directors of the POP Bank Centre before making the following decisions, for example:

- material changes in the nature or scope of its operations;
- decisions with a significant impact on the need for capital;
- partnerships that deviate from the policies issued by the parent company.

In the process of appointing and discharging the CEO and Deputy CEO, the subsidiaries' Board of Directors must consult the Board of the POP Bank Centre.

The CEO of the POP Bank Centre must ensure that Bonum Bank Plc and POP Mortgage Bank Plc are informed about all decisions made by the POP Bank Centre that affect their operations.

4 RELIABLE ADMINISTRATION

4.1 Fitness And Propriety Of Management

The central institution and member credit institutions must be managed in a professional manner and in accordance with sound and prudent business principles. The central institution and member credit institutions must adhere to the principles of reliable administration and maintain a sound corporate culture.

The members of the Supervisory Board, the members of the Board Directors and the members of its executive management must have expertise and experience in the business operations and management of a credit institution, as well as the related risks, to the extent that is necessary for their tasks and the quality, scope and diversity of the credit institution's op-

erations. In addition, a member of the Supervisory Board, a member of the Board of Directors and a member of the executive management must have sufficient time to carry out their duties.

The fitness, propriety and professional skills of the members of the Board of Directors and Supervisory Board, the CEO and the Deputy CEO are evaluated by conducting Fit & Proper assessments. An assessment is also made of all the members of the central institution's Executive Board and the persons responsible for internal audit, risk management and the compliance function. The Fit & Proper assessments of the persons responsible for management and key functions is based on the binding

guidelines of the guidelines from the EBA for assessing the suitability of members of the management body and key function holders, as well as the guidelines issued by the central institution's board on the matter.

Assessments are made whenever a new person is selected to serve in one of the capacities mentioned above. Assessments are also made when a person is selected to continue in their previous capacity. In addition, assessments are made when three years have elapsed since the previous assessment or if a person's fitness, propriety or professional skills are called into question.

4 RELIABLE ADMINISTRATION

4.2 Diversity

The diversity of the Board of Directors and the Supervisory Board is maintained and promoted actively in the bank. When planning the composition of the Board, it must be ensured that the necessary expertise is represented at any given time. The aspects considered when assessing diversity include age, gender, professional background and educational background, for example.

The aim is to select persons for the Board of Directors and the Supervisory Board who are best suited to serve on the Board of Directors or the Supervisory Board, taking into account the current composition of the body in question. However, members of manage-

ment must not be recruited purely to increase diversity if this would weaken the collective functioning and suitability of the management or reduce the suitability of individual members of management for their duties.

Equal gender representation on the Board is an important dimension of diversity that is maintained and promoted. The goal is equal gender representation on the Board of Directors. As a rule, a candidate representing the underrepresented gender must be selected if they are equally competent and, based on an objective assessment, a representative of the other gender is not more suitable for the task.



4 RELIABLE ADMINISTRATION

4.3 Evaluation Of Board Work

To ensure the efficiency of its work, the Board of Directors shall evaluate its operations and working methods annually and its collective suitability at least every three years.

The Board shall evaluate the competence and skills, experience and diversity necessary for its work, the profiles and capabilities of new members, and the criteria and procedure for selecting the executive management. The evaluation should focus on the composition of the Board of Directors, the organisation and functioning of the Board as a team, the meeting preparations, cooperation with the CEO, the competence of each board member and the Board as a team, and the efficiency of the Board's work.



5 INTERNAL AND EXTERNAL CONTROL

5.1 Internal Control

Effective and reliable internal control forms the basis for the management of operations. Internal control covers financial and other control. The purpose of internal control is to ensure that the strategy, objectives and practices established by the credit institution's senior management are achieved successfully and as planned, risks are managed appropriately, operations and related reporting are effective and reliable, and that compliance with regulations relating to various functions is monitored. All entities in the group must have sufficient, effective and reliable internal control which also covers all outsourced activities.

Internal control is implemented in all functions and at all levels of the organisation of the POP Bank

Group. Internal control should cover all functions, branches, customer service channels, processes and essential individual tasks. Internal control is implemented by the Board of Directors, the CEO and other management and personnel, as well as independent control functions.

The primary responsibility for the implementation of practical internal control and risk management measures rests with the credit institution's line organisation responsible for the actual function in the first line of defence. The first line of defence is complemented by the second and third lines of defence, which are organised through the central institution's independent control functions. The independent control functions in

the amalgamation are compliance, risk management and internal audit. Compliance and risk management comprise the second line of defence and internal audit the third line of defence.

As part of internal control, the amalgamation has implemented a whistle-blowing mechanism that enables the Group's employees to report, internally through an independent channel, suspected violations of rules and regulations concerning the financial market in the POP Bank Group.

The POP Bank Centre's Board of Directors has confirmed guidelines on the organisation of internal control.

5 INTERNAL AND EXTERNAL CONTROL

5.2 Risk Management Function

The purpose of the central institution's independent risk management function is to ensure the adequacy, functioning and efficiency of risk management of the member credit institutions in the amalgamation and to ensure that the central institution's Board has an overall view of the risks to and management of the member credit institutions and companies in the amalgamation at the level of the member credit institution and amalgamation. To achieve this, the risk management function is responsible for compiling and maintaining guidance on the subject area, and implementing and reporting of risk management. The risk management function aims to ensure business continuity in all circumstances, by enforcing control limits and limits defined and approved according to risk appetite and capacity. The

objective is to proactively identify, measure, manage and report key risks that could threaten the capital adequacy and/or liquidity of an individual member credit institution or the amalgamation. In addition, the activities aim to raise awareness of the amalgamation's key risks and to have a positive influence on the overall risk culture in the amalgamation's member credit institutions and the central institution.

The organisation of the risk management function is the responsibility of the Chief Risk Officer (CRO) within the framework approved by the Board of Directors. The CRO and the employees of the risk management function are independent of the functions of the member credit institutions and companies that they supervise. The basic task of the risk management function is to monitor the

risk and capital adequacy position of the amalgamation and its member credit institutions. The risk management function is responsible for forming a comprehensive understanding of the risks inherent in the business of the amalgamation and its member credit institutions, for developing methods and procedures for identifying, measuring and controlling risks, and coordinating the capital adequacy management process, risk management and reporting.

The risk management function ensures that the combined effect on profit and own funds of the significant risks taken by all member credit institutions in their business activities is reported regularly to the Board of Directors. The risk management function provides the Board of Directors with regular reports on its activities and findings.

5 INTERNAL AND EXTERNAL CONTROL

5.3 Compliance

The compliance function of the amalgamation of POP Banks is centralised in POP Bank Centre. The aim of the compliance function is to ensure that all the operations comply with the law, official instructions and regulations, market self-regulation, and the guidelines and general operating principles of the amalgamation of POP Banks. The compliance function prepares an annual action plan that is reviewed by the Board of Directors of the POP Bank Centre.

The compliance function aims to contribute to reducing the financial losses related to the bank's operations that may result from non-compliance with regulations, sanctions imposed by the super-

visory authority, negative impacts on the corporate image or loss of reputation.

The Boards and executive managements of the POP Bank Group's entities are responsible for ensuring compliance with regulations. The compliance function assists the Board, executive management and other functions in managing the risk related to non-compliance through proactive guidance and the monitoring of compliance with regulations, agreements and procedures. The compliance function reports regularly on its operations and observations to the Board of Directors and executive management.

5 INTERNAL AND EXTERNAL CONTROL

5.4 Internal Audit

Internal audit involves independent, objective assessment and verification operations. The purpose of the operations is to support the Supervisory Boards, the Boards of Directors and the executive management of the entities belonging to the POP Bank Group in achieving goals by providing a systematic approach to the assessment and development of the effectiveness of the organisation's supervisory, management and governance processes and risk management.

The internal audit unit of the central institution is responsible for the implementation of the internal audit for the amalgamation as a whole. Internal audit prepares an annual audit plan based on the priorities identified in the internal risk mapping and defined by the

Board of Directors and executive management for the amalgamation's central institution and member credit institutions. The audit plan is approved by the Board of Directors of the central institution.

Audit observations concerning member credit institutions are reported to the Board of Directors and CEO of the member credit institution in question. The internal audit function also reports regularly on its operations and observations to the Supervisory Board, Board of Directors and CEO of the central institution. POP Bank Centre's Board of Directors has confirmed the operating principles for internal audit.

In its operations, the internal audit function complies with generally accepted international professional standards and ethical principles of internal audit.

5 INTERNAL AND EXTERNAL CONTROL

5.5 Audit Of The Accounts

The Financial Statements of the POP Bank Group must be prepared in accordance with the International Financial Reporting Standards (IFRS) referred to in the Accounting Act. According to these standards, other significant entities belonging to the POP Bank Group must also be consolidated in the Financial Statements. The accounting policies are set out in more detail in the notes to the Financial Statements.

The central institution is required to issue instructions to member credit institutions to observe uniform accounting policies in the preparation of the POP Bank Group's Financial Statements. Member credit institutions are obliged to provide the central in-

stitution with the information necessary for the consolidation of the POP Bank Group's Financial Statements.

The central institution has one auditor, which must be a firm of authorised public accountants. The auditor is elected by the cooperative meeting. The auditor's term of office is a calendar year. The auditor also audits the Consolidated Financial Statements referred to in the Act on the Amalgamation of Deposit Banks. The central institution and its auditors shall have the right to obtain a copy of the documentation regarding the audit of the member credit institution for the purpose of auditing the POP Bank Group's Consolidated Financial Statements.

A member credit institution is not obliged to publish an Interim Report in accordance with chapter 12, section 12 of the Act on Credit Institutions, or the capital adequacy information required by the EU Capital Adequacy Regulation (so-called Pillar III capital adequacy information). The information required in accordance with the EU Capital Adequacy Regulation is published in a separate report on the amalgamation of POP Banks. The central institution's auditing firm is KPMG Oy Ab and the principal auditor is Korvataan nimi Henrik Snellman. There are also other auditing firms and authorised public accountants who are the auditors of the member credit institutions of POP Banks.

6 INSIDER ADMINISTRATION

The Board of Directors of POP Bank Centre confirms and regularly updates the guidelines concerning insider registers and the obligation to disclose securities holdings, as well as trading rules, for its member credit institutions. The banks have outsourced the maintenance of the insider register to Bonum Bank Plc.

Insider and trading guidelines are based on the Market Abuse Regulation, securities market legislation and regulations issued by the Financial Supervisory Authority, for example.



7 RELATED PARTY TRANSACTIONS

The POP Bank Group complies with regulations regarding related parties. The POP Bank Centre and the member credit institutions maintain a list of the people and entities that are related parties and the credit decisions of the credits granted to them. As a general rule, the Board of a member credit institution makes decisions on and amendments to lending to related parties and corresponding other financing and approves the general terms and conditions applicable to related-party lending. The terms of loans granted to related parties must not differ from the terms generally applied in lending to individual customers

Credit may be granted to the CEO and Deputy CEO as well as to the executive management under employee terms and conditions. If credit is granted to these persons under employee terms and conditions, the decision to grant credit must always be taken by the Board of Directors.

Investment in companies that are related parties is an exception and is only done based for particularly weighty reasons.



8 REMUNERATION

In the POP Bank Group, remuneration is company-specific, and there is no uniform remuneration scheme in place in the POP Bank Group. The remuneration schemes must, however, be in line with each member credit institution's or company's business strategy, goals and values and meet the company's long-term interests. The remuneration schemes must also be consistent with sound and effective risk management and risk-bearing capacity. The remuneration does not encourage risk-taking in operations that would exceed a level of risk that is determined by the member credit institution's or company's risk-bearing capacity or that is otherwise sustainable.

The remuneration principles in the entities of the amalgamation of POP Banks are set by the Board

of Directors of each entity, which also monitors and supervises compliance with the remuneration schemes and regularly evaluates their effectiveness. The executive management is responsible for implementing remuneration in accordance with the confirmed remuneration principles. The amalgamation of POP Banks does not have a joint remuneration committee to manage its remuneration scheme. This has not been considered necessary, as each entity belonging to the amalgamation decides on its own remuneration independently.

At least once a year, the amalgamation's internal audit verifies compliance with the remuneration scheme approved by the Board of Directors. Internal audit provides an annual summary report to the central institution's Board

of Directors on the remuneration schemes and compliance with them.

In the amalgamation of POP Banks, the remuneration of control activities independent of business activities is not dependent on the performance of the business unit under supervision.

In those entities of the amalgamation of POP Banks where variable remuneration is in use, there are different remuneration schemes. The schemes differ, for example, in terms of the employees they include, the amount of remuneration and the remuneration criteria. In the remuneration scheme of the amalgamation's entities, variable bonuses may not exceed 100% of the fixed annual salary.

8 REMUNERATION

The Board of Directors may decide not to pay the variable remuneration either in part or in full, for example if the capital adequacy of a member credit institution has fallen below a specified level.

The criteria for the payment of severance pay and other similar remuneration paid to an employee if an employment relationship ends prematurely shall be such that the compensation does not reward unsuccessful performance.

The deferment of variable remuneration and payment in any other form than cash is not applied to beneficiaries whose variable remuneration does not exceed EUR 50,000 per year and does not represent more than one third of their total remuneration.

The amalgamation of POP Banks has identified significant risk takers that may affect the risk profile of the amalgamation or a member credit institution or that may, through their activities, expose the amalgamation or the member credit institution to significant financial risk. The group of personnel affecting the risk profile in the amalgamation includes members of the Board of Directors, members of the Supervisory Board, CEOs and other members of senior management, as well as other persons who hold management positions in internal control functions or significant business units. Each Group entity is responsible for ensuring that information is accurate and up-to-date.

Member credit institutions publish a report on their websites on compliance with the provisions of the Act on Credit Institutions regarding remuneration. Salaries and fees for the financial period are presented in the notes to the POP Bank Group's Financial Statements. The information required by Article 450 of the EU Capital Adequacy Regulation No 876/2019 on the remuneration of persons with a material impact on the risk profile of the POP Bank Group is presented in a Pillar III report that is separate from the Financial Statements and the Annual Report.

