POP Bank Group

FINANCIAL STATEMENTS RELEASE

1 January – 31 December 2020

POP Bank

CONTENTS

This document is a translation of the original Finnish version "POP Pankki -ryhmän tilinpäätöstiedote 1.1.-31.12.2020". In case of discrepancies, the Finnish version shall prevail.

CEO'S REVIEW

The year 2020 reminded us, in a very concrete manner, how our society is intertwined with the global economy. Travel restrictions caused by the coronavirus pandemic, little social contact and new ways of working changed Finns' daily lives in a historic way.

The uncertainty caused by the exceptional circumstances and the threat of unemployment were widely reflected in increased household saving, while companies were seeking ways to survive, as well as new business opportunities, with the significance of the domestic market growing. Uncertainty over economic development caused companies to postpone their production investments.

The financial markets remained stable largely because of recovery measures implemented by the central banks, and the Finnish government succeeded in mitigating the impact of the recession on the Finnish economy through reflationary fiscal policy. The worst-case forecasts of the collapse of the Finnish economy did not materialise.

In response to government recommendations on dealing with the coronavirus pandemic, the POP Banks promptly shifted to serving customers also online. During the spring, we granted a record number of instalment-free periods for loans, and we responded strongly to companies' increased needs for short-term funding. We received a great deal of positive feedback on our quick decision-making, particularly from corporate customers. Despite the increase in instalment-free months, the loan servicing capacity of both households and companies remained at a good level throughout the year, and the amount of overdue payments remained moderate. The impact of the pandemic on Finnish agriculture was also relatively minor, with some farms even benefitting from an increase in producer prices.

The consolidated balance sheet total exceeded EUR 5 billion. The POP Bank Group has more than 400,000 banking and insurance customers. Demand for housing loans remained strong throughout the year, and we succeeded in increasing lending to small and medium-sized enterprises.

The Group's loan portfolio increased by 6.4 per cent during the year, amounting to EUR 3.9 billion. Deposits increased by 9.1 per cent to EUR 4.1 billion as a result of changes in customers' purchasing behaviour and increased saving. The amalgamation's capital adequacy remained on a solid basis, and its CET1 ratio was 19.9 per cent at the end of the financial period.

The POP Bank Group's profit before taxes decreased year-on-year because of a significant decrease in net investment income. However, net interest income – our key source of revenue – increased by 6.9 per cent to EUR 74.1 million, and net commission income grew by 3.5 per cent to EUR 31.0 million. The Group's profit before taxes was EUR 13.4 million. The insurance segment's profit before taxes was EUR 2.4 million, which increases the significance of insurance operations for the Group's profitability.

Early in the year, we confirmed a new strategy for the POP Bank Group and adopted a model in which the strategy is continuously updated. In line with the new strategy, we worked to shift the focus of our business operations to growth areas and increased lending to business, and we continued our extensive renewal programme aimed at the seamless combination of personal and digital services. To improve the Group's efficiency, we began to centralise the banks' routine measures in the service centre, and we continued to invest in robotics and the development of new products and services.

The significance of mobile banking continued to increase, and POP Mobiili quickly became one of the best banking applications in Finland. The number of users of the POP Avain identification application increased at a record rate of nearly 80 per cent. Biometric identification was also included in POP Avain in order to prepare for the expanded use of strong authentication methods at the beginning of 2021. The first digital housing sales were completed in the summer, when we joined the DIAS platform for digital housing sales. At the same time, we piloted an automated housing loan service, which our Group will adopt extensively later.

To improve lending services for companies, we started to serve as a guarantee intermediary bank for the European Investment Bank towards the end of the year. At the same time, to secure funding for our growth strategy, we began to implement concrete measures to start our mortgage bank operations during 2021.

Three major mergers were completed within the amalgamation as part of the POP Bank Group's structural development. As a result of the mergers, stronger banks were created in Ostrobothnia and central Finland, and new demand for their services has emerged over a short period of time. The merger development is expected to continue in the coming years.

The outlook for 2021 is cautiously promising, and consumer confidence is increasing as a result of the vaccination programme. Economic recovery will be dependent on domestic demand for a long time, and the prolonged coronavirus crisis is likely to result in longer-term problems for the economy. Long-term conditions for growth are burdened by population ageing and weak productivity. In Finland's key export markets, the recovery of the operating environment will take time, while the rapid increase in government debt in these countries increases the risk of unstable economic development.

The past year will be remembered as one of the most important learning experiences in our history, highlighting the importance of fundamentals and cooperation. For the POP Banks, a local focus is a strategic choice. Local vitality arises from forward-looking decisions and bold business owners, as well as banking operations that recognise local potential.

I would like to take this opportunity to thank our employees, customers and partners for our shared journey so far.

Pekka Lemettinen
CEO
POP Bank Centre coop

POP BANK GROUP'S FINANCIAL STATEMENTS RELEASE 1 JANUARY – 31 DECEMBER 2020

POP BANK GROUP'S YEAR 2020 IN BRIEF

- Net interest income EUR 74.1 (69.3) million (+6.9 %)
- Operating income EUR 124.0 (131.4) million (-5.6 %)
- Profit before tax EUR 13.4 (26.2) million (-48.8 %)
- Loan portfolio EUR 3,868.1 (3,635.5) million (+6.4 %)
- Balance sheet EUR 5,099.3 (4,535.6) million (+12.4 %)
- CET 1 Capital ratio of the amalgamation 19.9 (19.8) per cent
- POP Bank has the highest customer satisfaction in Nordic countries (EPSI Rating 2020)
- Insurance operations' loss ratio 73.1 (74.3) %
- The increase in number of insurance customers 9.4 (14.8) %

KEY EVENTS

- The POP Bank Group's strategy was confirmed
- Digital service opportunities have been expanded
- New products in asset management and corporate funding
- Expanding the funding sources of the POP Bank Group
- The impact of the coronavirus pandemic on business operations
- Reform of basic systems

POP BANK GROUP AND AMALGAMATION OF POP BANKS

The POP Bank Group is a Finnish financial group that offers retail banking services for private customers, small and medium-sized enterprises and agricultural, forestry and bioeconomy companies, in addition to providing private customers with non-life insurance services. The POP Banks' mission is to promote its customers' financial well-being and prosperity, as well as local success. The POP Bank Group's values are responsibility, customer orientation, profitability and bold renewal.

THE POP BANK GROUP'S VISION AND STRATEGY

The Group's vision is to be a bank that combines personal and digital services, thus providing the highest level of customer satisfaction and a rapid decision-making process. The POP Bank Group focuses on building long-term customer relationships and continuously renewing its ways of working to ensure that its vision materialises through its customer service, product offering, pricing and operational efficiency. To support this, the Group has engaged in strategy work based on continuously updated situation analyses since the beginning of 2020.

The POP Bank Group's strategy determines long-term financial targets for banking operations at the level of the amalgamation. The amalgamation's target for its cost-to-income ratio is no more than 60 per cent of the balance sheet total, and its target level for its operating profit is at least 0.7 per cent of the balance sheet total. The target for its common equity tier 1 (CET1) capital ratio is 17.5 per cent. In accordance with the strategy for insurance operations, the target for the consolidated cost ratio is 96.5 per cent. The consolidated cost ratio is calculated based on the company's national financial statements reporting.

STRUCTURE OF THE POP BANK GROUP

The POP Bank Group comprises of POP Banks and POP Bank Centre coop, and the entities under their control. The most significant companies with customer operations in the POP Bank Group are:

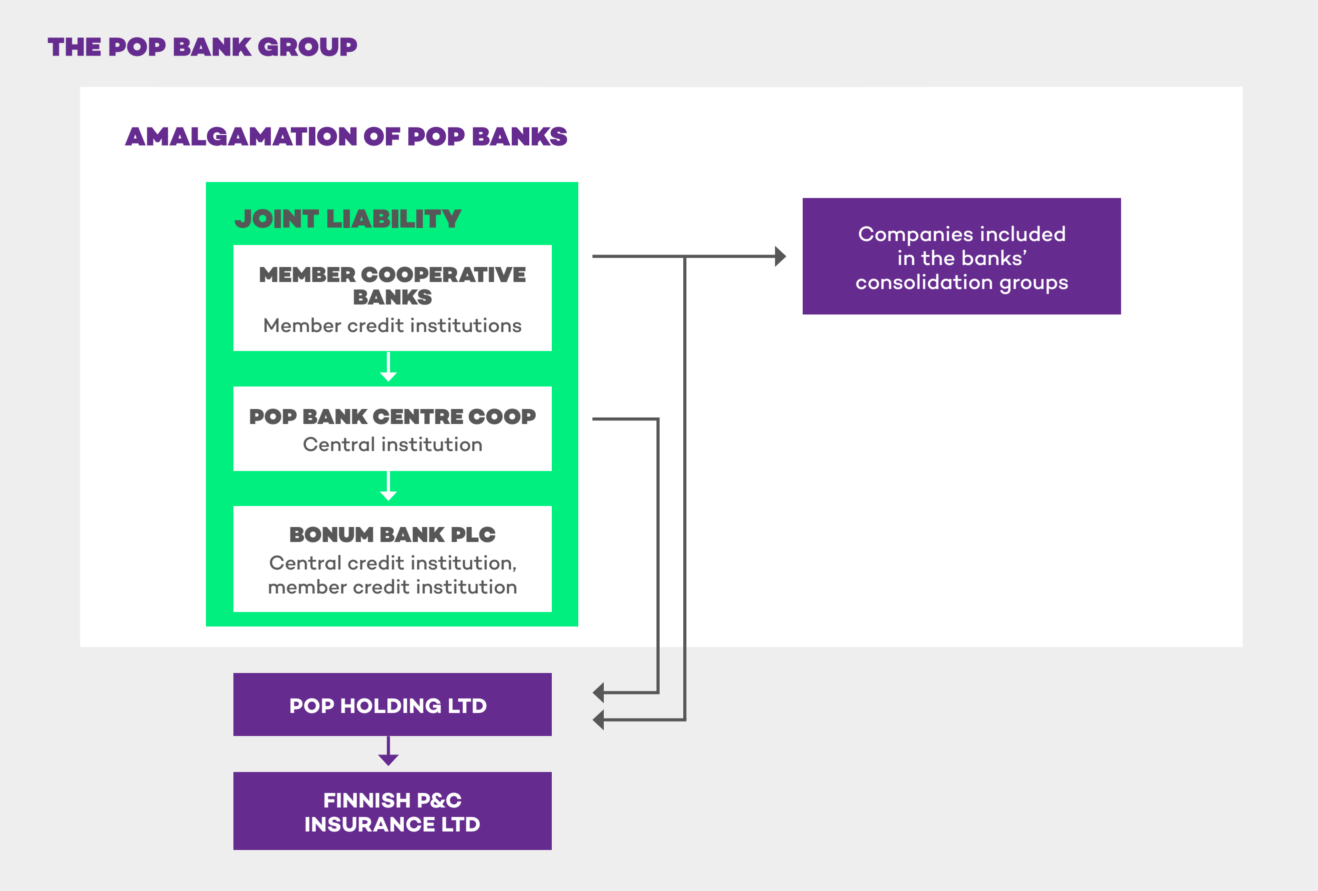
- 22 member cooperative banks of POP Bank Centre coop that use the marketing name POP Bank
- Bonum Bank Plc, which is the central credit institution of POP Banks and a subsidiary of POP Bank Centre coop
- Finnish P&C Insurance Ltd, which uses the auxiliary business name POP Insurance.

The POP Banks are cooperative banks owned by their member customers. The cooperative banks within the POP Bank Group have 89.8 thousand members in total. Cooperative bank membership entitles the member to participate in the bank's decision-making at cooperative meetings or in electing the members of the representative council, which has the highest decision-making power.

POP Bank Centre coop, the central institution, is responsible for the group steering and supervision in accordance with the Act on the Amalgamation of Deposit Banks (24 June 2010/599) (hereinafter referred to as the "Amalgamation Act"). In accordance with the Amalgamation Act, the central institution shall prepare financial statements as a combination of the financial statements or the consolidated financial statements of the central institution and its member credit institutions in accordance with the International Financial Reporting Standards (IFRS).

In addition to the organisations that belong to the amalgamation of POP Banks, the POP Bank Group comprises POP Holding Ltd and its wholly owned company Finnish P&C Insurance Ltd. Neither of these are included in the scope of joint liability.

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



CHANGES IN POP BANK GROUP'S STRUCTURE

Three mergers were completed within the POP Bank Group during the financial period. At the end of September, Sievin Osuuspankki and Tiistenjoen Osuuspankki merged with Pohjanmaan Osuuspankki, and Hannulan Osuuspankki merged with Konneveden Osuuspankki. At the end of November, Kyrönmaan Osuuspankki merged with Lapuan Osuuspankki, and the name of the bank was changed to Lakeuden Osuuspankki. After the mergers, the POP Bank Group consists of 22 cooperative banks. The mergers will not have an impact on the POP Bank Group's financial statements.

In September, the cooperative meetings of Reisjärven Osuuspankki and Siilinjärven Osuuspankki approved the plan to merge Reisjärven Osuuspankki with Siilinjärven Osuuspankki. The merger is set to be registered on 28 February 2021. In connection with the merger, Siilinjärven Osuuspankki will become Järvi-Suomen Osuuspankki.

OPERATING ENVIRONMENT

The coronavirus pandemic was the most significant factor affecting the operating environment in 2020. Global measures to prevent the spread of the virus affected economies and people's daily lives in many ways. Recommendations and restrictions of various degrees were adopted rapidly in Finland and globally concerning mobility, meetings and the opening hours of shops, for example. As a result of these measures, total production decreased in many European countries by nearly 10 per cent in 2020.

To avoid waves of bankruptcies, governments have supported businesses more extensively than ever before. The EU also decided to implement a comprehensive support programme to reduce the negative impacts of the coronavirus pandemic. Economic growth has gradually started to recover but reaching the pre-crisis level will require bringing the pandemic under control by means of vaccinations.

The European Central Bank (ECB) participated in supporting the funding capacity of economies and banks through new and extended funding programmes, as well as by easing the collateral requirement level for central bank funding. In addition, the ECB decided to continue its bond purchase programme, and it also participated extensively in secured new issues by banks in order to ensure, on its part, the functionality of the financial markets in the exceptional circumstances. Key interest rates and market interest rates were at a record-low level at the end of the year, and market expectations of higher interest rates have been postponed long into the future.

In Finland, the decrease in production caused by the coronavirus pandemic was among the smallest in Europe. The factors that have been suggested to explain this include a more moderate escalation of the pandemic compared with other countries, and a flexible and widespread adoption of remote working practices. The support measures targeted at businesses by the Finnish government softened the negative impact of the coronavirus pandemic, but government debt increased rapidly as a result. In Finland, the problems caused by the coronavirus pandemic had the strongest impact on the service, tourism and catering sectors, whereas its impacts on construction, industry and the food sector were more moderate. The increase in the number of bankruptcies in 2020 was held back by the support measures and a temporary decree restricting the filing of bankruptcy applications. Any delays in bringing the coronavirus situation under control may increase the number of companies with problems over the longer term.

The employment situation worsened as a result of lay-offs, particularly during the spring of 2020, but improved considerably during the summer and autumn. Significant changes were seen in household purchasing behaviour. The proportion of consumption accounted for by services and tourism decreased sharply, as consumers invested in cars, home electronics and renovations instead. Household saving increased substantially during the year. Housing sales were also very active towards the end of the year.

KEY EVENTS IN THE POP BANK GROUP

THE POP BANK GROUP'S STRATEGY WAS CONFIRMED

The POP Bank Group's updated strategy and renewal programme were approved in January. The Group's strategy focuses on investments in the management of personal and fully digital customer service situations, as well as on strengthening lending to companies and shifting the focus of operations to growth areas.

As part of the renewal programme, the central institution's steering power was enhanced during the financial period by adopting new risk models and a steering framework for the member banks. The banks' compliance function was also centralised in the central institution. In the spring of 2020, the Group established a joint service centre that supports the banks in achieving their growth targets, finds cost savings by centralising and developing processes, enhances customer acquisition and provides customer service in digital channels.

Three mergers were completed within the POP Bank Group during the financial period. As well as supporting the Group's strategy, the mergers strengthen the banks' ability to support local economies and local vitality.

DIGITAL SERVICE OPPORTUNITIES HAVE BEEN EXPANDED

The extensive digitalisation of banking operations and customer service is one of the key focus areas of the POP Bank Group's new strategic renewal programme. The Group's mobile application, POP Mobiili, has been developed continuously, and the number of users has grown steadily. At the end of the review period, the number of mobile bank users was around 75 per cent of the total number of online and mobile bank users. Nearly half of all mobile bank users use the application daily, and it has become the main tool for taking care of daily banking within a short period of time. The fund subscription feature, which was introduced in late 2019, has also been well received, and the number of subscriptions through the mobile app has remained steady despite turbulence in the investment markets.

Due to the ending of the transition period for the Payment Services Directive (PSD2), the requirements for more secure identification have become stricter. The POP Banks have communicated actively with their customers concerning the adoption of the POP Avain identification application, and the number of users increased by nearly 80 per cent during the year. Towards the end of the year, biometric identification was introduced as an additional feature in POP Avain.

The use of digital services has been made easier for customers by introducing digital signatures more extensively throughout the product portfolio. In addition, new customer relationships can now be established and the related banking services provided through the POP Banks' electronic customer meetings (POP Verkkohetki). The proportion of online meetings of all customer meetings has increased strongly.

In June, the POP Banks joined the DIAS platform for digital housing sales. The platform brings together all parties involved in housing sales and makes it possible to buy and sell homes completely digitally. To expand its digital service processes, the POP Bank Group is piloting the use of digital housing loan decisions. The goal is to introduce the service in all POP Banks during 2021.

NEW PRODUCTS IN ASSET MANAGEMENT AND CORPORATE FUNDING

During the spring, the POP Banks' product offering was supplemented by new asset management and savings services for private and corporate customers. POP Environment, a new fund focusing on supporting sustainable development, was added to the selection of funds.

The development of corporate funding services is a key part of the POP Bank Group's strategy. In the autumn, co-operation was started with the European Investment Fund in order to support corporate funding, as the POP Banks were starting to transfer the EIF guarantee to their corporate bonds.

EXPANDING THE FUNDING SOURCES OF THE POP BANK GROUP

The POP Bank Group issued three senior bonds during the financial year. In June, Bonum Bank participated for the first time in the European Central Bank's TLTRO III funding operation to the tune of EUR 50 million.

The POP Bank Group also started preparations for commencing mortgage banking operations. The mortgage bank may issue covered mortgage-backed bonds. Mortgage banking requires a license from the European Central Bank. The commencement of mortgage banking operations is expected to take place during 2021.

THE IMPACT OF THE CORONAVIRUS PANDEMIC ON BUSINESS OPERATIONS

The coronavirus pandemic and the related service restrictions had a significant impact on loan and capital market activity. Demand for instalment-free periods grew in the spring to a level much higher than the normal. But the situation stabilised from the early summer, and volumes did not increase during the latter part of the year. Repayments were granted mainly to retail customers.

Market reactions to the pandemic caused the fair values of investment assets in banking and insurance operations to decrease, as well as affecting the price and availability of funding from the capital markets. However, the valuation of investments recovered to a large extent in the second half of the year to the pre-crisis level, with the exception of a few individual securities. The group's liquidity remained at a good level despite uncertainty in the capital markets.

Following national recommendations, the employees of the group largely adopted remote working habits in March. The coronavirus crisis limited the opening hours of banks to some degree, but thanks to their investments in digital products and services, the POP Banks were able to provide banking and expert services without interruption through online meetings, for example. The coronavirus crisis has not had a significant impact on the availability of services provided by the non-life insurance company, which operates online.

REFORM OF CORE SYSTEMS

An extensive card system project was completed in the autumn whereby the management of debit cards was transferred from Oy Samlink Ab's system to a system provided by Nets A/S. The project was aimed at reducing the risks related to the reform of the core banking system and centralising the administration of all cards under one service provider which was already responsible for managing the POP Bank credit cards.

The POP Bank Group is also carrying out a major overhaul of its core banking system in cooperation with Cognizant Company from the US, whose subsidiary, Oy Samlink Ab, will provide the banks with a new banking system. The project is in definition phase and the project schedule is currently being specified with the partners. The project will be carried out in cooperation with the Savings Bank Group and Oma Savings Bank.

CREDIT RATINGS

In May 2020, S&P Global Ratings (S&P) reiterated Bonum Bank Plc's long-term rating as BBB (investment grade) and its short-term rating as A-2 (investment grade). The outlook changed from stable to negative because of the economic uncertainty caused by the coronavirus pandemic.

POP BANK GROUP'S EARNINGS AND BALANCE SHEET

POP BANK GROUP KEY FIGURES AND RATIOS

Key income figures (EUR 1,000)	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Net interes income	74,099	69,318	65,391
Net commissions and fees	31,049	30,013	29,790
Insurance income	11,611	10,913	10,433
Net investment income	1,298	15,588	1,111
Personnel expenses	-43,531	-42,843	-41,769
Other operating expenses	-50,738	-47,927	-48,257
Impairment losses on financial assets	-7,468	-6,528	-3,195
Profit before tax	13,393	26,150	11,569

Key balance sheet figures (EUR 1,000)	31 Dec 2020	31 Dec 2019	31 Dec 2018
Loan portfolio	3,868,147	3,635,488	3,473,310
Deposit portfolio	4,086,045	3,746,305	3,666,543
Insurance contract liabilities	43,915	38,606	32,488
Equity capital	518,114	508,435	483,788
Balance sheet total	5,099,270	4,535,557	4,409,518

Key ratios	31 Dec 2020	31 Dec 2019	31 Dec 2018
Cost to income ratio	83.2 %	75.1 %	86.8 %
Return on assets, ROA %	0.2 %	0.5 %	0.2 %
Return on equity, ROE %	2.2 %	4.3 %	1.8 %
Equity ratio, %	10.2 %	11.2 %	11.0 %
Common equity Tier 1 capital ratio, (CET1) %	19.9%	19.8 %	20.5 %
Capital adequacy ratio, (TC) %	19.9%	19.9 %	20.8 %

POP BANK GROUP'S EARNINGS PERFORMANCE

The POP Bank Group's core business income grew significantly, but profit before taxes was lower than in the previous year due to the contraction in net investment income. Profit before taxes was EUR 13.4 (26.2) million, and profit for the period was EUR 11.5 (21.4) million.

The Group's net interest income increased by 6.9 per cent from EUR 69.3 million to EUR 74.1 million due to increases in interest income and lower interest expenses than in the comparison period. Interest income for the financial year amounted to EUR 80.1 (77.3) million, and interest expenses were EUR 6.0 (8.0) million. Insurance premium revenue increased by 3.5 per cent to EUR 31.0 (30.0) million. Insurance liabilities grew by 6.4 per cent to EUR 11.6 (10.9) million.

Net investment income improved significantly from the previous year and was EUR 1.3 (15.6) million. The corona pandemic caused a strong market reaction in the spring, which caused the fair values of investment assets to decline substantially. However, during the second half of the year, the fair values of investments recovered, and net investment income turned positive as a whole.

Other operating income totalled EUR 5.9 (5.5) million. Other operating income includes the reimbursement of the old Deposit Guarantee Fund, which covers the deposit guarantee contribution of the Financial Stability Authority included in other operating expenses. Other operating income totalled EUR 124.0 (131.4) million.

Total operating expenses increased by 4.6 per cent to EUR 103.2 (98.6) million. Personnel expenses formed 42.2 per cent of operating expenses and totalled EUR 43.5 (42.8) million. Other operating expenses increased to EUR 50.7 (47.9) million. Depreciation and impairment on tangible and intangible assets was EUR 8.9 (7.9) million.

In the review period, EUR 7.5 (6.5) million was recognised in impairment on financial assets. Impairment losses include a net increase in expected losses of EUR 0.2 (3.5) million and realised credit losses of EUR 7.3 (3.0) million.

POP BANK GROUP'S BALANCE SHEET

The POP Bank Group's equity totalled EUR 5,099.3 (4,535.6) million at the end of the period. The loan portfolio increased by 6.4 per cent during the financial year, amounting to EUR 3,868.1 (3,635.5) million. Total deposits grew exceptionally strongly during the financial year, by 9.1 per cent. At the end of the financial year, the Group had deposits from customers totalling EUR 4,086.0 (3,746.3) million.

The number of bonds in issue increased to EUR 266.3 (114.8) million during the financial year. The Group's investment assets increased from EUR 573.1 million to EUR 688.9 million. In addition to investments in securities and real estate in banking operations, the investment assets include the insurance company's investments in securities.

The POP Bank Group's equity totalled EUR 518.1 (508.4) million at the end of the financial period. The cooperative capital, which consists of the POP Banks' cooperative contributions and POP Shares, amounted to EUR 66.0 (66.7) million. The POP Banks paid EUR 1.3 (1.2) million in interest on cooperative capital for 2019. POP Shares are investments in the cooperative bank's equity in accordance with the Co-operatives Act. In total, the POP Banks have issued EUR 56.1 (57.3) million in POP Shares.

OPERATING SEGMENTS

The POP Bank Group monitors its business operations based on two business segments: Banking and Insurance.

BANKING

The POP Bank Group's Banking segment consists of the POP Banks engaged in retail banking and Bonum Bank Plc, which is the amalgamation's central credit institution. At the end of 2020, POP Bank Group had 253.7 (252.0) thousand banking customers. Of these, 85.5 (85.4) per cent are private customers, 8.6 (8.4) per cent are corporate customers, and 2.8 (2.9) per cent are in the agriculture and forestry sectors.

Providing excellent customer service and constantly improving the customer experience plays a central role at the POP Banks. Throughout the 2000s, POP Banks have ranked at the top in independent customer satisfaction and customer service surveys. According to surveys conducted in 2020, POP Banks still have the highest customer satisfaction rates among Nordic banks (according to EPSI Rating customer satisfaction surveys in the Nordic countries in autumn 2020). At the end of the year, POP Banks had 75 branch offices and service points. In addition, customers have access to mobile and online banking services and online appointments.

The POP Bank Group focused on sales management development during the 2020 review period.

The Group's commission income and loan portfolio increased significantly before the beginning of the coronavirus pandemic. However, as the pandemic considerably slowed economic activity in Finland, the increases in both commission income and the loan portfolio levelled out towards the end of the review period.

The Group has invested strongly in digitalisation for some time now, which enabled it to respond rapidly to the coronavirus pandemic and implement the necessary special measures. The POP Banks were able to continue to provide daily services without interruption, as well as to successfully transfer customer meetings online, thanks to their POP Verkkohetki sessions. The number of online sessions was at its highest in May: around five times higher than before the coronavirus pandemic. While the number of online sessions decreased after May, it was still many times higher than before the pandemic.

The Group continued to update its banking product selection, in terms of savings products in particular, by introducing new asset management solutions for private and corporate customers. At the same time, a cooperation project that had lasted several years and affected the POP Banks' product partners was completed.

BANKING EARNINGS

In banking, the profit before taxes was EUR 11.3 (23.8) million. Net interest income and fee income increased in banking, but the low investment income had a negative impact on earnings. The cost-to-income ratio of banking operations was 82.6 (72.1) per cent.

Net interest income in banking operations increased by 6.7 per cent to EUR 73.5 (68.9) million, and net commission income increased by 3.3 per cent to EUR 31.6 (30.5) million. Net investment income amounted to EUR 1.5 (13.2) million. Other operating income totalled EUR 5.8 (4.8) million. Operating income totalled EUR 112.4 (117.4) million, representing a decrease of 4.2 per cent year-on-year as a result of lower net investment income.

Personnel expenses in banking operations decreased to EUR 30.7 (31.3) million, while other operating expenses increased by 13.2 per cent to EUR 57.9 (51.1) million as a result of higher IT expenses, among other factors. Depreciation and impairment losses on tangible and intangible assets were EUR 5.1 (4.8) million. Operating expenses grew by 7.6 per cent to EUR 93.7 (87.1) million.

Impairment losses on financial assets were recognised in expenses to the tune of EUR 7.4 (6.5) million. Impairment losses include a net increase of EUR 0.1 (3.5) million in expected losses, as well as EUR 7.3 (3.0) million in actual credit losses. The increase in actual credit losses is partly explained by the Group's expanded unsecured consumer credit business, which is characterised by a higher level of returns and credit losses. Active collection measures are targeted at items recognised as credit losses.

THE BANKING SEGMENT'S ASSETS AND LIABILITIES

The banking segment's assets and liabilities totalled EUR 5,114.4 (4,558.9) million at the end of the financial period. The banking segment's loan portfolio increased by 6.4 per cent to EUR 3,870.2 (3,637.6) million. The loan portfolio grew in both the private and corporate customer segments. Deposits increased by 9.0 per cent, and the banking segment's deposits totalled EUR 4,089.3 (3,751.7) million at the end of the financial period.

INSURANCE

The insurance segment includes Finnish P&C Insurance Ltd, which offers non-life insurance policies to private customers. The insurance company offers typical non-life insurance products to private customers. The insurances are mostly sold via electronic channels.

Growth in insurance operations slowed in 2020 as a result mainly of the coronavirus pandemic. In 2020, Finnish P&C Insurance Ltd. gained an average of 3.5 (3.8) thousand new customers per month, and at the end of the financial period, the company had 156.5 (143.0) thousand customers. According to the results of an NPS survey, which measured customers' willingness to recommend, the company is among the leaders in its field. The company, which operates via electronic channels, has customers throughout Finland.

The majority of the company's insurance policies are granted through its own sales channels. Key distribution partners include POP Bank Group and the Savings Banks Group, as well as car dealerships and vehicle inspection stations in the capacity of an intermediary. Finnish P&C Insurance Ltd. focuses on online marketing in particular and directs customers to its online store. Also bank partners mainly direct their own customers to the online store. Dealerships and vehicle inspection stations grant vehicle insurance policies in the capacity of an intermediary.

The insurance segment is a central part of the digital operations of the POP Bank Group.

INSURANCE EARNINGS

Market reactions to the coronavirus pandemic had a negative impact on the valuations of investment assets during the first half of the year in particular. Growth in premium income volumes in insurance operations slowed, mainly as a result of the pandemic and the exceptional circumstances that ensued. The coronavirus pandemic had a slightly decreasing impact on loss expenses.

Profit before tax for insurance was EUR 2.4 (1.5) million. Net insurance income grew by 6.4 per cent to EUR 11.6 (10.9) million. The loss ratio decreased by 1.2 percentage points from 74.3 to 73.1 per cent. The operating expense ratio of the company was 21.9 (26.4) per cent, and the consolidated cost ratio was 95.0 (100.7) per cent[1].

In 2020, Finnish P&C Insurance sold 126,2 (130,5) thousand new insurance agreements. Premiums written totalled EUR 46.0 (45.8) million, of which 81.4 (82.0) per cent accrued from the motor vehicle liability and land vehicles insurance categories. Accident and health, fire and other property, as well as other direct insurance policies generate a total of 18.6 (18.0) per cent of the premiums written. Insurance premium revenue increased by 1.6 per cent to EUR 43.1 (42.5) million.

Claims incurred decreased slightly from the previous year and totalled EUR 31.5 (31.6) million. These consisted of EUR 28.8 (27.8) million in claims paid, EUR 7.6 (7.7) million in changes in provisions for unpaid claims, less EUR -4.1 (-3.9) million in increases in provisions for unpaid claims ceded to reinsurers. During the financial period, three losses exceeded the retention limits of reinsurance. Reinsurance provisions for a total of nine losses were made to technical provisions at the end of the year.

Personnel expenses in insurance operations remained at the previous year's level, at EUR 6.9 (6.9) million. Other operating expenses decreased to EUR 1.1 (2.2) million. Depreciation and impairment amounted to EUR 2.1 (1.9) million. Operating expenses totalled EUR 10.0 (11.0) million.

INSURANCE SEGMENT'S ASSETS AND LIABILITIES

The assets of the insurance segment totalled EUR 80.7 (70.9) million at the end of the financial period. The liabilities of the insurance segment totalled EUR 57.7 (45.9) million. Insurance liabilities grew by 13.8 per cent to EUR 43.9 (38.6) million. The liabilities of the insurance segment totalled EUR 49.2 (43.9) million.

OTHER FUNCTIONS

Other functions include POP Holding Ltd, POP Bank Centre coop and other entities consolidated in the POP Bank Group and not included in the banking and insurance business segments. Other functions is not a reportable segment in the POP Bank Group's IFRS financial statements.

[1] The operating expense ratio and the consolidated cost ratio have been calculated on the basis of Finnish P&C Insurance Ltd.'s financial statement information (FAS).

POP BANK GROUP'S RISK AND CAPITAL ADEQUACY MANAGEMENT AND RISK POSITION

PRINCIPLES AND ORGANIZATION OF RISK MANAGEMENT

The POP Bank Group's strategy outlines the Group's risk appetite. Business activities are carried out at a moderate risk level so that the risks can be managed in full. The purpose of the risk management is to ensure that all significant risks are identified, assessed, measured and monitored, and that they are proportionate to the risk-bearing capacity of the amalgamation and the individual member credit institution.

As the central institution, POP Bank Centre coop supervises the sufficiency and functioning of the risk management systems at the level of the member credit institutions and the amalgamation and is liable for the Group's risk and capital adequacy management in accordance with section 17 of the Amalgamation Act. The central institution issues binding instructions concerning risk and capital adequacy management, corporate governance and internal control to the member credit institutions to secure their solvency and capital adequacy. Furthermore, common business risk limits have been established for the member institutions to ensure that the risks taken by an individual member institution are within acceptable limits according to accepted risk appetitive.

The central institution supervises that the member credit institutions comply with laws, decrees, instructions and regulations issued by the authorities, their own rules and the internal binding instructions of the amalgamation in its activities. The independent functions within the central institution are formed as the risk control function monitoring the risk position, the compliance function supervising the compliance within the regulations and internal audit.

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

Risk and capital adequacy management is described in more detail in Note 4 to the financial statements. Material information regarding capital adequacy as specified in the Capital Requirements Regulation (EU 575/2013) is presented in a separate Pillar III report.

BANKING RISKS

Credit risk

The amalgamation's credit risk position in banking remained stable and the risk level moderate. COVID-19 pandemic's primary impact was a significant increase in the number of the instalment-free periods for loans during the spring 2020. Substantial part of the granted instalment-free periods ended during the last quarter of 2020 and application for new instalment-free months decreased substantially by the end of the year.

Despite of the exceptional market environment the amounts of overdue loans stayed on a moderate level. Loans over 90 days overdue amounted 0.87 (0.80) per cent of the loan portfolio, and loans between 30-90 days overdue were 0.55 (0.42) per cent of the loan portfolio at the end of the year 2020.

The consequences of COVID-19 pandemic reflected most significantly on the amalgamation's investment portfolio. Additional loan loss provision of EUR 1,448 thousand was made to a few individual debt securities based on the management judgement, as the COVID-19 has substantial impact to issuers' financial conditions. The amount of expected credit losses (ECL) for loans and receivables portfolio decreased by 4.4 percent ending up at EUR 32.3 (33.8) million. The final credit losses incurred during the financial year EUR 7.3 (3.0) million impacted mainly to the decrease of the amount of ECL for loans and receivables.

The amalgamation's loan portfolio grew 6.4 per cent amounting EUR 3,870.2 (3,635.5) million at the end of the accounting period. Industry and customer risks are well diversified. Loans granted to private customers accounted for 66.4 (67.1) per cent; to companies 18.5 (17.5) per cent and; to agricultural entrepreneurs 15.1 (15.4) per cent of the loan portfolio. Majority of the lending is associated with low risk lending to private customers with real estate collaterals. Portion of the loans secured by residential real estate was 64.6 (65.0) per cent of the loan portfolio.

Credit risk management is based on a continuous monitoring of past-due payments, forbearances and non-performing loans as well as the quality of the loan portfolio. Monitoring expected credit losses (ECL) is an essential part of the credit risk management processes. Foreseen problems are to be assessed as early as possible.

Liquidity risks

The POP Bank Group's liquidity position remained strong during the financial period. The amalgamation's liquidity coverage ratio (LCR) was 191.4 (114.7) per cent on 31 December 2020 with the requirement being 100 per cent. On 31 December 2020, the amalgamation's LCR-eligible assets before haircuts totalled EUR 621.9 (305.4) million, of which 63.0 (54.8) per cent were cash and balance at the central bank and 32.4 (40.2) per cent were highly liquid Tier 1 securities. In addition, outside the amalgamation's LCR portfolio unencumbered securities eligible for central bank funding totalled to EUR 71.1 (28.1). The central credit institution Bonum Bank Plc manages the liquidity coverage requirement (LCR) of the amalgamation. During the financial year, Bonum Bank Plc participated for the first time in the European Central Bank's TLTRO III financing operation for EUR 50 million.

POP Bank Centre coop, the central institution of POP Banks' Amalgamation, applies a permission by the Finnish Financial Supervisory Authority to decide that the requirements laid down in the sixth part of the European Union's Capital Requirements Regulation (EU 575/2013) and EU's statutory orders set in the Regulation are not applied to its member credit institutions. According to the permission, the regulatory requirements for liquidity risk shall only be met at the amalgamation level.

The POP Bank Group's funding position remained strong during the financial year. The proportion of deposits from the funding portfolio remained high and total deposits increased by 8.3 per cent during the reporting period. The Net Stable Funding Ratio (NSFR) was 147.7 (140.9) at the end of the period, with the future requirement being 100 per cent in accordance with Regulation (EU) 2019/876. End of reporting period Bonum Bank Plc has EUR 225 (95) million outstanding unsecured senior notes from EUR 750 million bond programme, of which new unsecured senior notes of EUR 50 and 55 million were issued during the financial year, and previously issued 75 million unsecured senior note was increased to EUR 100 million through an additional issue. At the end of the year, the availability of financing with short-term investment certificates normalized from the exceptional situation caused by COVID-19 pandemic and the open portfolio of investment certificates totaled to EUR 41.5 (20.0) million.

Market risk

Market risks from banking arise from the banking book of member credit institutions, consisting of lending and deposits, wholesale market funding and investment and liquidity portfolios. Market risk exposure remained at a moderate level during the financial period. The most significant market risk the POP Bank Group is exposed to is the interest rate risk in the banking book, which is monitored and limited via both the net present value and income risk models. The impact of +/- one percentage point change in interest rates for the following 12 months' net interest income stood at EUR +13.1 (+11.8) / -9.7 (-7.0) million on 31 December 2020. Market risk is also caused by the investment activities of member credit institutions, the primary purposes of which are to invest the liquidity surplus and maintain liquidity reserves. The member credit institutions do not have any trading activities.

Market risks arising from investing activities are limited through asset allocation and by diversification into different asset classes and counterparties. Risk limits are in place for different counterparties and asset classes. No currency risk is taken in lending activities. A member credit institution may only engage in direct foreign currency-denominated investments, after approval the risk control function of the amalgamation. The use of derivatives is limited to hedging the interest rate risk in the banking book.

Operational risks

Realisation of operational risks is minimised by continuous personnel 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 member credit institutions annually report to the compliance function on the operational risks related to their own operations through self-assessments. The member credit institutions report to the central institution every six months on their materialised operational risks and near misses. The compliance function regularly assesses the nature of the identified operational risks, as well as the probability of their materialisation, across the amalgamation.

The compliance function of the central institution monitors significant and critical outsourcings, maintains a register of outsourced operations and functions and participates in evaluating risks involved in outsourcing operations. The operational risks associated with the key products, services, functions, processes and systems are identified in the assessment process concerning a new product or service carried out by the business function and reviewed by the risk control and compliance function. Furthermore, the member credit institutions regularly perform self-assessment of their operational risks. Some of the losses caused by operational risks are hedged through insurance. Risks caused by malfunctions of information systems are prepared for by continuity planning.

The operating model for risk management related to money laundering and other financial crime has been systematically reinforced at the level of the amalgamation. This has included updating the binding guidelines on the prevention of money laundering and other financial crime within the amalgamation, increasing the selection of solutions and the amount of resources available for continuous monitoring, and acquiring and implementing a completely new AML monitoring system, as well as active communication and a considerable increase in training.

During the year, measures were taken to centralise the compliance function in the central institution in line with the Group's strategy. As a result of this, more resources have been allocated to the compliance function, and an organisation was established for the centralised function during the year. Responsibility for monitoring compliance was transferred from the banks to the central institution during 2020.

RISKS RELATED TO INSURANCE OPERATIONS

During the period under review, the most significant insurance risks were associated with business profitability development with particular focus in the development of pricing and customer selections, and the sufficient increase in business volumes, taking the profitability aspect into account. The outbreak of the coronavirus pandemic in the spring changed the operating environment in many respects. However, the pandemic did not have a significant impact on insurance operations. The decline in driving and travelling was reflected in a slowdown in the increase in losses and the insurance portfolio.

Key operational risks are still related to the building of IT systems and the controlled scaling and development of insurance business processes as the sales, customer and claim volumes increase.

Information security risks are significant for an online company and, therefore, the company is strongly investing in their management. The personnel risk is significant due to the relatively small size of the organization, however the organization and partnerships are constantly developed to minimize risks. The investment risk of the insurance company is moderate and the main risks are equity, credit and interest rate risk.

The pandemic did not have a major impact on operating activities, because the company operates digitally and has good capabilities for remote work.

The Board of Directors of Finnish P&C Insurance annually approves the company's risk management plan.

RECOVERY AND RESOLUTION PLAN

The Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally as of 2015 (Act on the Resolution of Credit Institutions and Investment Firms 1194/2014). In order to implement the Act in Finland, a Financial Stability Authority was established (Act on the Financial Stability Authority 1194/2014). The Financial Stability Authority acts as a National Resolution Authority in Finland, as part of the European Union Single Resolution Mechanism (SRM).

On 26.3.2019 the Financial Stability Authority decided to set a minimum requirement of own funds and liabilities (MREL) for the amalgamation of POP Banks. The decision was based on the resolution plan for the amalgamation of POP Banks and the Act on the Resolution of Credit Institutions and Investment Firms 1194/2014. The requirement became effective on 31.12.2019.

In accordance with this decision, the MREL requirement is 19.8% of the total risk exposure. The POP Bank Group has met the requirement through its own funds. The requirement concerns only the amalgamation level, but the Financial Stability Authority will assess the need for setting a requirement at the member credit institution level separately in 2021.

CAPITAL ADEQUACY MANAGEMENT

At the end of the financial year, the capital adequacy of the amalgamation of POP Banks remained at a solid level. The amalgamation's capital adequacy ratio was 19.9 (19.9) per cent and CET1 capital ratio 19.9 (19.8) per cent. The amalgamation does not include the profit for the financial year in own funds. The amalgamation's own funds of EUR 513.0 (504.6) million are comprised of cooperative contributions, POP Shares, retained earnings and other non-restricted reserves. Issuance of POP Shares is the member credit institutions' primary means for raising capital. The amount of POP Shares outstanding at the end of the financial year was EUR 56.1 (57.3) million.

Supplementary cooperative contributions are not acknowledged as an equity instrument according to the Capital Requirements Regulation (CRR) and instruments are thus gradually phased out from own funds. During the financial year redemption permission was received from Financial Supervisory Authority (FIN-FSA) and instruments are fully excluded from own funds at 31th Dec 2020. Redemptions will be executed during 2021.

The amalgamation's own funds requirement is comprised of the following:

- Capital Requirements Regulation minimum of 8 %
- Additional Pillar 2 capital requirement of 1.25 %
- Capital conservation buffer of 2.5 %
- Country-specific capital requirements for foreign exposures

From Capital Requirements Regulation Minimum requirement 4.5 per cent must be Common Equity Tier 1 (CET1) capital and all additional capital requirements must be covered with CET1 Capital. FIN-FSA released the systemic risk buffer capital requirement 6th April 2020.

Member credit institutions of the amalgamation have been exempted from the own funds requirements for intragroup items and large exposures limits for exposures between the central credit institution and the member credit institutions based on a permission granted by the FIN-FSA. Similarly member credit institutions have received 2020 exemption from FIN-FSA regarding amalgamation's internal items in leverage ratio reporting.

Amalgamation will report definition of default in accordance with Article 178 of the EU Capital Requirements Regulation 575/2013 from 1.1.2021. Changes in definition of default regulation is expected to increase number of defaulted receivables and thus decrease capital adequacy ratio somewhat during 2021.

SUMMARY OF CAPITAL ADEQUACY

(EUR 1,000)	31 Dec 2020	31 Dec 2019
Own funds		
Common Equity Tier 1 capital before deductions	536,352	520,317
Deductions from Common Equity Tier 1 capital	-23,306	-19,363
Total Common Equity Tier 1 capital (CET1)	**513,046**	**500,954**
Additional Tier 1 capital before deductions	-	2,163
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	**-**	**2,163**
Tier 1 capital (T1 = CET1 + AT1)	**513,046**	**503,117**
Tier 2 capital before deductions	-	1,514
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**-**	**1,514**
Total capital (TC = T1 + T2)	**513,046**	**504,632**
Total risk weighted assets	**2,578,449**	**2,531,685**
of which credit risk	2,349,874	2,300,929
of which credit valutaion adjustment risk (CVA)	-	-
of which market risk (foreign exchange risk)	20,858	24,633
of which operational risk	207,717	206,123
CET1 Capital ratio (CET1-%)	**19.9 %**	**19.8 %**
T1 Capital ratio (T1-%)	**19.9 %**	**19.9 %**
Total capital ratio (TC-%)	**19.9 %**	**19.9 %**
Capital Requirement		
Total capital	513,046	504,632
Capital requirement *	302,968	323,558
Capital buffer	210,031	181,074
Leverage ratio		
Tier 1 capital (T1)	513,046	503,117
Leverage ratio exposure	5,146,910	4,588,442
Leverage ratio, %	10.0 %	11.0 %

* The capital requirement is comprised of the minimum requirement of 8.0 %, the additional Pillar 2 requirement of 1.25 %, the capital conservation buffer of 2.5 % and country-specific countercyclical capital requirements for foreign exposures. FIN-FSA released the systemic risk buffer capital requirement (1%) 6th April 2020.

DEPOSITOR AND INVESTOR PROTECTION

Provisions on deposit insurance are laid down in the Act on the Financial Stability Authority. According to the act the Financial Stability Authority is responsible for offering deposit protection. Its financial stability fund consists of a crisis resolution fund and deposit guarantee fund. The deposit guarantee fund covers the eligible deposits of a depositor in a single deposit bank up to a maximum of EUR 100,000. During the financial year, payments to the Deposit Guarantee Fund were made using funds from the VTS Fund (Old Deposit Guarantee Fund).

The deposit banks that are members of the amalgamation of deposit banks are considered to be a single deposit bank in terms of deposit guarantee. Therefore, the deposit guarantee concerning a depositor's deposits in all member credit institutions of the amalgamation of POP Banks (POP Banks and Bonum Bank Plc) totals EUR 100,000.

Furthermore, in accordance with the legislation on the investors' compensation fund, the member credit institutions of the amalgamation of POP Banks are considered to be a single bank in terms of investor protection. A maximum amount of EUR 20,000 is compensated from the compensation fund.

ADMINISTRATION OF POP BANK CENTRE COOP

The 22 member cooperative banks (POP Banks) and Bonum Bank Plc are members of POP Bank Centre coop. The member cooperative banks exercise their statutory voting rights in the meeting of POP Bank Centre coop cooperative, which elects the Supervisory Board. In accordance with the rules, Bonum Bank Plc has no voting rights in the cooperative meetings as a subsidiary of the Alliance.

In accordance with the rules, the Supervisory Board of POP Bank Centre coop consists of a minimum of three (3) and a maximum of thirty-four (34) members elected by the general meeting of the cooperative so that one (1) member shall be elected from each member credit institution; however, not from a subsidiary of the central institution that acts as a member credit institution.

In 2020, the Supervisory Board consisted the total of twenty-six (26) members so that one (1) member represented each member credit institution, with the exception of Bonum Bank. Only the Chairman of the Board of Directors or the Supervisory Board of a member credit institution can be elected as the Chairman or Vice Chairman of the Supervisory Board. The Chairman of the Supervisory Board was Hannu Saarimäki (Chairman of the Board of Keuruun Osuuspankki) and the Vice Chairman was Harri Takala (Chairman of the Board of Pohjanmaan Osuuspankki). As a result from mergers within the Group, the number of members was 22 at the end of financial year.

The Board of Directors of POP Bank Centre coop consists of a minimum of five (5) and a maximum of eight (8) members elected by the Supervisory Board. At least half of the Board members must be elected from persons employed by a member credit institution. The term of office of the Board members is three (3) years from the conclusion of the meeting that decided on the election of the Supervisory Board until the conclusion of the next Supervisory Board meeting that decides on the election. Of these members, annually the number closest to one-third resign based on the term of office.

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

THE FOLLOWING PERSONS ACTED AS MEMBERS OF THE BOARD OF DIRECTORS OF POP BANK CENTRE COOP:

Juha Niemelä Managing Director,
Liedon Osuuspankki
Ordinary member
Chairman

Soile Pusa Managing Director,
Siilinjärven Osuuspankki
Ordinary member
Vice Chairman

Ari Heikkilä Managing Director,
Konneveden Osuuspankki
Ordinary member

Petri Jaakkola Deputy Managing Director,
Lakeuden Osuuspankki
Ordinary member

Timo Kalliomäki Managing Director,
Suupohjan Osuuspankki
Ordinary member

Ilkka Lähteenmäki Research Fellow,
Aalto University, Oulu University, Hanken
School of Economics
Ordinary member

Marja Pajulahti Managing Director,
Invalidisäätiö
Ordinary member

The CEO of POP Bank Centre coop is **Pekka Lemettinen**. CEO's deputy is **Jaakko Pulli**.

The auditor of POP Bank Centre coop is KPMG Oy Ab, an accounting firm, with **Tiia Kataja**, APA, as the auditor-in-charge.

PERSONNEL AND REMUNERATION

PERSONNEL

At the end of 2020, the POP Bank Group had 785 (735) employees, of whom 580 (538) in banking, 115 (114) in non-life insurance and 90 (83) in other functions.

POP BANK GROUP PERSONNEL 31 DECEMBER 2020

Men	203
Women	582
Total	**785**
Of which permanent	723
Of which fixed-term	62

REMUNERATION

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

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

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

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

REMUNERATION OF THE MEMBERS OF THE POP BANK CENTRE'S ADMINISTRATION

The monthly fees confirmed by the central institution's Supervisory Board for the members of the Board of Directors were as follows: EUR 2,700 for the Chair; EUR 1,800 for the Vice Chair; and EUR 1,500 for each member. In addition, all Board members were paid a meeting fee of EUR 1,000 per meeting. The fees are paid in cash. The monthly fee confirmed by the cooperative meeting for the Chair of the Supervisory Board was EUR 1,200. The members of the Supervisory Board were paid a meeting fee of EUR 600 per meeting. A meeting fee of EUR 100 per meeting was paid for the email and telephone meetings of the Board of Directors and the Supervisory Board. In addition, Board members were paid EUR 600 for attending a Supervisory Board meeting. The fee paid to the Chair and Vice Chair of the Supervisory Board for attending a meeting of the Board of Directors was 70 per cent of the fee paid to the Board members.

The fees paid to the members of the POP Bank Centre's Board of Directors and Supervisory Board in 2020 are presented in the table below.

FEES TO POP BANK CENTRES BOARD OF DIRECTORS AND SUPERVISORY BOARD

(EUR)	Chairmen	Vice Chairmen and Other Members	Total
Monthly fees	46,800	111,600	**158,400**
Meeting fees	41,970	222,520	**264,490**
Total	**88,770**	**334,120**	**422,890**

In 2020, the Board of Directors and the Supervisory Board met more frequently than usual because of the coronavirus pandemic. The Board of Directors met 30 times, and the Supervisory Board met five times.

THE POP BANK GROUP'S MAIN PARTNERS AND STAKEHOLDERS

The POP Bank Group's business development and opportunities rely on the trust of customers, employees and society. The POP Banks actively participate in supporting local business and industry and local stakeholders in various ways. In addition, the Group cooperates closely with educational institutions, scientific communities and the authorities.

The POP Bank Group actively contributes to the development of its sector as a member of Finance Finland. The purpose of Finance Finland is to promote the development of fair and transparent regulations and guidelines in line with the principles of good governance in the financial sector in Finland. The POP Bank Group is also a member of the Pellervo Coop Centre, which promotes cooperative operations as a business model and cooperatives as a competitive form of enterprise, by influencing legislation and economic and industrial policy relating to them in order to ensure that cooperatives receive sufficient attention.

The POP Banks' selection of investment products includes investment funds managed by two of its partners, Sb-Fund Management Company Ltd and UB Asset Management Ltd. In securities services, the partner is the Finnish branch of Nordnet Bank AB. The pension and savings insurance products provided by the POP Banks are produced by Aktia Life Insurance Ltd and Sb Life Insurance Ltd, and the loan insurance products provided by the POP Banks are produced by the AXA Group and Sb Life Insurance Ltd. The purpose of the cooperation is to secure competitive pension, savings and loan insurance services for the POP Banks' customers.

In non-life insurance services for private customers, the bank cooperates with Finnish P&C Insurance Ltd, which is part of the POP Bank Group and uses the auxiliary business name of POP Insurance in its marketing.

In card services, the POP Banks cooperate with Nets Denmark A/S, Finnish Branch.

Oy Samlink Ab serves as the POP Banks' information system supplier. In risk reporting, we cooperate with ALM Partners Ltd. Figure Financial Management Ltd is our provider of financial management and statutory reporting services.

DONATIONS AND GRANTS

The donations and grants provided by the POP Bank Group totalled around EUR 300,000 in 2020. Most of this amount is attributable to the foundation established by Tiistenjoen Osuuspankki in 2020. The purpose of the foundation is to support local operators and communities. In the summer, the POP Bank Group participated in a national forest planting campaign organised by 4H in Finland. The campaign offered young people an opportunity to learn about working life in practice. At the local level, the POP Banks support sports and association activities and cultural events.

SOCIAL RESPONSIBILITY

The POP Bank Group reports on its responsibility work in accordance with the Global Reporting Initiative (GRI) guidelines. The GRI recommendations concerning the financial sector are also taken into account in the POP Bank Group's reporting. The GRI index will be published on the POP Bank Group's website.

Social responsibility in the POP Bank Group is based on cooperative values, local operations and long-term business operations. Responsibility is an integral part of the Group's strategy, customer promise and vision. Responsibility means compliance with the principles of sustainable development in all of the Group's operations, and it concerns every employee's day-to-day work and decisions. The POP Bank Group is aware of the fact that responsibility work is a continuous undertaking which, in addition to reporting, requires the regular updating of goals in order to ensure operational development.

The POP Bank Group sees climate change as one of the key challenges of our time. Climate change has a strong impact on the Group's customers and operating environment. The financial sector and the companies to which we provide funding play an important role in combating climate change. Therefore the POP Bank Group is, to a significant degree, focusing its lending on agriculture, forestry and the bioeconomy. The transition to a carbon-neutral economy will require major investments in the future, as well as systematic work over the long term. The POP Bank Group is firmly committed to promoting a sustainable approach to the economy, and this is one of the cornerstones of the Group's recently updated responsibility programme.

The POP Bank Group's responsibility work is guided by its responsibility programme, which was updated at the end of 2020. The programme is based on a materiality analysis aimed at identifying those responsibility aspects that are the most important for the POP Bank Group and its key stakeholders.

The POP Bank Group's responsibility work is guided by its responsibility programme, which was updated at the end of 2020. The programme is based on a materiality analysis aimed at identifying those responsibility aspects that are the most important for the POP Bank Group and its key stakeholders.

The following responsibility themes were identified as being significant for the POP Bank Group:

1. Promoting sustainable financing and investing and thereby mitigating climate change
2. Supporting local success, vitality and well-being
3. Transparent business operations
4. Ensuring the equality of employees and promoting diversity and well-being at work
5. Preventing a shadow economy, corruption and money laundering

In the POP Bank Group, matters concerning responsibility are discussed by the Executive Board and the Board of Directors. The operational management of matters related to responsibility has been integrated into normal day-to-day business operations. The guidelines are reviewed annually by the Executive Board and the Board of Directors, and policies and principles are updated to support operations as necessary.

Responsible lending

In its lending, the POP Bank Group takes into account the recommendations issued by the Financial Supervisory Authority, as well as the rules concerning good lending practice. The Group's member banks do not knowingly provide funding to operations that violate the law or good practice. Lending is reviewed comprehensively, with the goal of establishing long-term customer relationships. Responsible lending is based on customer knowledge and careful examination of the customer's situation.

In the POP Bank Group, lending to private customers emphasizes the customer's financial security and is based on good business principles and ethical guidelines on lending. For private customers, the most significant issues related to lending are determining the appropriate amount of credit and the customer's debt servicing capacity. With regard to corporate customers, we identify the financial risks and environmental impacts related to their operations or to the projects that are to be funded.

The POP Bank Group operates responsibly and transparently, taking into account the customer's interests when marketing loans and concluding loan agreements. We always obtain sufficient information on each customer's financial position and creditworthiness and thoroughly examine each borrower's ability to meet their commitments. The customer is provided with sufficient and clear information about the credit and its terms and conditions well in advance of entering into a loan agreement. Such information and the terms and conditions are then reviewed carefully together with the customer when finalising the agreement. If payment delays occur, the customer must be provided with advice on how to deal with insolvency situations, and a responsible approach must be applied to payment arrangements. In the event of payment difficulties, the POP Banks seek to respond as early as possible and to remedy the situation sustainably.

Responsible investing activities

The POP Bank Group's responsible investing activities are based on the view that a company operating responsibly is more profitable and competitive over the long term than a company that neglects responsibility aspects.

The principles of responsible investment apply not only to the products offered to customers, but also to the Group's own investing activities. Most of the POP Funds have a Morningstar sustainability rating. Their average sustainability rating is 3.6 on a scale of 1–5. In addition to this, since June 2020, POP Environment fund has been available for customers interested in sustainable development issues.

With regard to financial products and funds, the POP Bank Group only works with responsible partners whose investment philosophy is in line with that of the Group and that have signed the UN-supported Principles for Responsible Investment (PRI). This makes it possible to increase the transparency of the environmental impacts of the Group's investing activities, as well as the transparency of its carbon risk.

In addition, ESG risks and opportunities are identified in the Group's investing activities to create a better foundation for healthy investment decisions. The Group seeks to exclude investments that may cause risks that are difficult to predict, that may cause claims for damages or unfavourable publicity, or that are otherwise in conflict with the Group's ethical principles. These include the tobacco industry, gambling operations or companies that use child labour, for example.

SUPPORTING LOCAL SUCCESS, VITALITY AND WELL-BEING

The POP Bank Group's mission is to support its customers' financial well-being and local success. For this reason, the POP Banks play an active role in local business and industry, and in strengthening the labour and housing markets. This is reflected in the Group's approach to lending, investing operations and the environment. The domiciles of the companies of the Group cover 24 different locations, meaning that the taxes paid by the Group are allocated extensively to the areas where its customers are. The POP Bank Group paid EUR 1.9 (4.3) million in taxes on its earnings in 2020. The POP Bank Group employs more than 700 professionals across Finland.

Continuous development at the POP Bank Group is guided by the principle of providing smoothly running and accessible banking services. The extensive network of branch offices has been joined by digital service channels that enable customers in different life situations to discuss their financial management with POP Banks' experts.

An independent survey conducted by EPSI Rating has nine times indicated that the POP Bank Group has the most satisfied private customers. In the POP Bank Group, customer satisfaction is a key indicator of success. In line with their strategy, the POP Banks are closely involved in their customers' daily lives, providing personal service through various channels. Based on their feedback, our customers appreciate easy access to bank staff and quick decision-making.

TRANSPARENT BUSINESS OPERATIONS

One of the POP Bank Group's key principles is to communicate transparently, meaning that we provide key information openly within the Group. We also apply this principle to the Group's external communications. The POP Bank Group aims for equality and transparency in all its communication and marketing.

The POP Bank Group's operations comply with the current regulations and the orders issued by the authorities. In banking operations, the Group complies with the Good Banking Practice and trading instructions confirmed by Finance Finland, as well as with the amalgamation's internal guidelines. In insurance operations, the Group complies with the guidelines issued by Finance Finland concerning good insurance practice, as well as with the company's internal guidelines. Key management practices are defined in the POP Bank Group's guidelines for reliable governance.

The POP Bank Group also complies with the principles of good governance. Compliance with good governance is monitored by the Board of Directors. If shortcomings are detected in the organisation of reliable governance, or if significant risks or damage emerge in operations as a result of non-compliance with regulations, these are reported to the Board of Directors without delay. The Board of Directors is also immediately informed about any question concerning the reliability, suitability or professional skills of the people responsible for key operations or the compliance officer. Suspected misconduct can be reported to the compliance function and internal audit confidentially by using a whistleblowing channel designated for this purpose.

Identifying conflicts of interest is part of normal financial activities. The aim is to prevent potential conflicts of interest by avoiding high-risk combinations of duties in operations through the separation of supervisory duties related to operational and risk management, for example, at all organisational levels within the Group. A person belonging to the compliance function reports the number of justified and unfounded reports submitted via the whistleblowing channel during the year, specific to each workplace community, to the Board of Directors of the central institution.

The Board of Directors of the POP Bank Centre coop 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. A member of the personnel may not participate in processing a matter concerning an agreement between such person and a member credit institution. Furthermore, they may not participate in processing a matter between a member credit institution and a third person if they can reasonably be expected to have material interests that may conflict with the interests of the member credit institution. If a conflict of interest arises, it must be reported transparently to the affected customers, who can consider the situation in their own decision-making, as well as to the Board of Directors of the central institution. The Executive Board of Finnish P&C Insurance has confirmed and regularly updates the guidelines concerning conflicts of interest and disqualification. A disqualified person may not participate in processing the matter in question, nor may they be present when the matter is being processed.

No conflicts of interest, violations or legal proceedings concerning the Group were reported within the POP Bank Group during the year.

Responsibility for customer data

The development of the POP Bank Group's products and services strives to achieve the best possible customer experience and accessible and timely services. To make this possible, the Group uses customer data and AI-based solutions responsibly and transparently. Strong privacy practices are in place to protect the personal data of customers, partners and employees.

ENSURING THE EQUALITY OF EMPLOYEES AND PROMOTING DIVERSITY AND WELL-BEING AT WORK

The competence requirements for employees in the financial sector are high in the current environment, which is extensively regulated and highly digitalised. The POP Bank Group aims to provide its employees with an environment that values learning and development, and also with meaningful job descriptions that enable employees to have an impact on their work. The POP Bank Group seeks to improve well-being at work in all its operations. Employee satisfaction is measured annually, and plans are prepared regularly to develop fair and equal workplace communities.

High-quality training and active internal communications are emphasized to ensure that employees have the necessary level of competence. Career opportunities and remuneration are examined from the perspective of equality. We are continuously examining the implementation of diversity and equality in our work environment, and we have zero tolerance towards discrimination in the workplace.

Employees have an opportunity to discuss matters related to equality and non-discrimination with their supervisors, health and safety representatives or personnel representatives. No challenges related to equality or non-discrimination were reported during 2020.

While the financial sector is a female-dominated sector, the management level continues to be male-dominated. There is general awareness of the situation, and various measures are being taken accordingly. The gender breakdown of the POP Bank Group reflects the average for the sector. At the end of 2020, women represented 25.9 per cent and men represented 74.1 per cent of the Group's personnel. The average age of personnel at the end of 2020 was 42 years, while the average age of employees in the financial sector is 45.

The age distribution of the POP Bank Group's employees is presented in the table below.

POP BANK GROUP PERSONNEL AGE DISTRIBUTION 31 DECEMBER 2020

Age distribution	Total
less than 30 yrs	148
30 – 39 yrs	227
40 – 49 yrs	138
50 – 59 yrs	199
over 60 yrs	73
Total	**785**

EVENTS AFTER THE CLOSING DATE

S&P Ratings has affirmed January 22, 2021 Bonum Bank Plc's long-term counterparty credit ratings 'BBB' and short-term credit rating 'A-2'. The agency revised the bank's outlook from negative to stable.

POP Bank Centre coop's Board of Directors is not aware of other events having taken place after the closing date that would have a material impact on the information presented in the financial statements of the POP Bank Group.

OUTLOOK FOR 2021

The POP Bank Group's financial performance is closely linked to capital market development, economic growth in Finland and regional development. Success in the vaccination programme being carried out in the eurozone countries will represent a significant step for the better in the public health and economic crisis caused by the coronavirus pandemic.

However, the pandemic continues to pose serious risks to the entire eurozone and the global economy. The tight long-term restrictions imposed in many countries hinder economic recovery. Monetary stimulus continues to be crucial, as it builds the confidence required for private consumption and corporate investment to pick up again. Key interest rates are expected to remain at or below the current level until the inflation outlook recovers closer to the ECB's target level of 2 per cent. The ECB's funding operations, as well as its purchase programmes related to the pandemic, continue to provide the markets with ample liquidity.

The outlook for 2021 is cautiously optimistic, but the recovery of the Finnish economy will continue to be dependent on domestic demand for a long time. The economy is developing unevenly across sectors. The recovery of the operating environment in Finland's key export markets will take its time. Restrictions have a stronger impact on the service sector than on industry. The prolonged coronavirus crisis is likely to result in longer-term problems for the economy. The rapid increase in government debt elevates the risk of unstable economic development. Finland's long-term conditions for growth are also burdened by population ageing and weak productivity.

These factors create a challenging operating environment that is difficult to predict. In our view, this challenge will continue to prevail for a few years. Market, credit, insurance and operational risks have the most significant impact on the POP Bank Group's profitability and fluctuations. Considering the overall circumstances, we expect the POP Bank Group's result in 2021 to be at the same level as in 2020.

FURTHER INFORMATION:

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FORMULAS FOR KEY FIGURES

Alternative Performance Measures (APMs) are key figures other than those specified in the accounting standards or other regulation and are used to describe the company's financial position and development. The key figures presented by the POP Bank Group are based on IFRS Financial Statement Reporting Standards, except for the operating expenses ratio and the combined expense ratio for insurance operations. The calculation formulas for the key figures included in the annual report are described below.

TOTAL OPERATING INCOME

Net interest income, net commissions and fees, net investment income, insurance income, other operating income

TOTAL OPERATING EXPENSES

Personnel expenses, other operating expenses, depreciation, amortisation and impairment of property, plant and equipment and intangible assets

COST-INCOME RATIO, %

$$\frac{\text{Total operating expenses}}{\text{Total operating income}} \times 100$$

RETURN ON EQUITY (ROE), %

$$\frac{\text{Profit for the financial year}}{\text{Equity capital and non-controlling interest (average of the beginning and end of period)}} \times 100$$

RETURN ON ASSETS (ROA), %

$$\frac{\text{Profit for the financial year}}{\text{Balance sheet total (average of the beginning and the end of the period)}} \times 100$$

EQUITY RATIO, %

$$\frac{\text{Equity capital and non-controlling interest}}{\text{Balance sheet total}} \times 100$$

COMMON EQUITY TIER 1 CAPITAL RATIO (CET1), %

$$\frac{\text{Common Equity Tier 1 capital (CET1)}}{\text{Risk weighted assets}} \times 100$$

TIER 1 CAPITAL RATIO (T1), %

$$\frac{\text{Tier 1 capital (T1)}}{\text{Risk weighted assets}} \times 100$$

CAPITAL ADEQUACY RATIO (TC), %

$$\frac{\text{Total capital (TC)}}{\text{Risk weighted assets}} \times 100$$

LEVERAGE RATIO, %

$$\frac{\text{Tier 1 capital (T1)}}{\text{Leverage ratio exposure}} \times 100$$

LIQUIDITY COVERAGE RATIO (LCR), %

$$\frac{\text{Liquid assets}}{\text{Liquidity outflows - liquidity inflows under stressed conditions}} \times 100$$

NON-LIFE INSURANCE KEY FIGURES

OPERATING EXPENSES

Personnel expenses, other operating expenses and depreciation, amortisation and impairment of property, plant and equipment and intangible assets

LOSS RATIO, %

$$\frac{\text{Claims incurred (after share ceded to reinsurers)}}{\text{Insurance premium revenue (after share ceded to reinsurers)}} \times 100$$

OPERATING EXPENSE RATIO, %

$$\frac{\text{Operating expenses (FAS)}}{\text{Insurance premium revenue (after share ceded to reinsurers)}} \times 100$$

COMBINED EXPENSE RATIO, %

Loss ratio + Operating expense ratio

POP BANK GROUP FINANCIAL STATEMENTS 31 DECEMBER 2020

POP BANK GROUP'S INCOME STATEMENT

(EUR 1,000)	Note	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019	Change, %
Interest income		80,090	77,281	3.6 %
Interest expenses		-5,991	-7,963	-24.8 %
Net interest income	4	**74,099**	**69,318**	**6.9 %**
Net commissions and fees	5	31,049	30,013	3.5 %
Net investment income	6	1,298	15,588	-91.7 %
Insurance income	7	11,611	10,913	6.4 %
Other operating income		5,902	5,529	6.7 %
Total operating income		**123,959**	**131,362**	**-5.6 %**
Personnel expenses		-43,531	-42,843	1.6 %
Other operating expenses		-50,738	-47,927	5.9 %
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-8,908	-7,861	13.3 %
Total operating expenses		**-103,177**	**-98,631**	**4.6 %**
Impairment losses on financial assets	10	-7,468	-6,528	14.4 %
Associate's share of profits		78	-53	...
Profit before tax		**13,393**	**26,150**	**-48.8 %**
Income tax expense		-1,912	-4,775	-60.0 %
Profit for the financial period		**11,480**	**21,376**	**-46.3 %**
Attributable to				
Equity owners of the POP Bank Group		11,466	21,381	-46.4 %
Non-controlling interests		15	-5	...
Total		**11,480**	**21,376**	**-46.3 %**

POP BANK GROUP'S STATEMENT OF OTHER COMPREHENSIVE INCOME

(EUR 1,000)	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019	Change, %
Profit for the financial period	**11,480**	**21,376**	**-46.3 %**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	-564	-894	-36.9 %
Changes in fair value reserve			
Equity instruments	992	250	296.9 %
Items that may be reclassified to profit or loss			
Changes in fair value reserve			
Liability instruments	152	2,975	-94.9 %
Other comprehensive income for the financial period	**12,060**	**23,707**	**-49.1 %**
Other comprehensive income for the financial period attributable to			
Owners of the POP Bank Group	12,045	23,711	-49.2 %
Non-controlling interests	15	-5	...
Total other comprehensive income for the financial period	**12,060**	**23,707**	**-49.1 %**

POP BANK GROUP'S BALANCE SHEET

(EUR 1,000)	Note	31 Dec 2020	31 Dec 2019	Change, %
Assets				
Liquid assets		391,544	167,428	133.9 %
Loans and advances to credit institutions	8, 11	64,166	74,293	-13.6 %
Loans and advances to customers	8, 11	3,868,147	3,635,488	6.4 %
Investment assets	12	688,871	573,058	20.2 %
Investments in associates		195	116	67.4 %
Intangible assets		20,549	18,138	13.3 %
Property, plant and equipment		32,138	33,462	-4.0 %
Other assets		28,553	30,612	-6.7 %
Tax assets		5,108	2,961	72.5 %
Total assets		**5,099,270**	**4,535,557**	**12.4 %**
Liabilities				
Liabilities to credit institutions	8, 13	97,219	37,542	159.0 %
Liabilities to customers	8, 13	4,086,045	3,746,305	9.1 %
Non-life insurance liabilities	14	43,915	38,606	13.8 %
Debt securities issued to the public	15	266,346	114,829	131.9 %
Supplementary cooperative capital		11,287	18,003	-37.3 %
Other liabilities		51,991	48,479	7.2 %
Tax liabilities		24,353	23,357	4.3 %
Total liabilities		**4,581,156**	**4,027,122**	**13.8 %**
Equity capital				
Cooperative capital				
Cooperative contributions		9,909	9,422	5.2 %
POP Shares		56,121	57,323	-2.1 %
Total cooperative capital		**66,030**	**66,745**	**-1.1 %**
Reserves		166,497	160,695	3.6 %
Retained earnings		285,142	280,566	1.6 %
Total equity attributable to the owners of the POP Bank Group		**517,670**	**508,006**	**1.9 %**
Non-controlling interests		444	429	3.4 %
Total equity capital		**518,114**	**508,435**	**1.9 %**
Total liabilities and equity capital		**5,099,270**	**4,535,557**	**12.4 %**

STATEMENT OF CHANGES IN POP BANK GROUP'S EQUITY CAPITAL

(EUR 1,000)	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1st of Jan 2020	**66,745**	**3,761**	**156,934**	**280,566**	**508,006**	**429**	**508,435**
Comprehensive income for the financial year							
Profit for the financial year	-	-	-	11,466	**11,466**	15	11,480
Other comprehensive income	-	1,144	-	-564	**580**	-	580
Total comprehensive income for the financial year	**-**	**1,144**	**-**	**10,901**	**12,045**	**15**	**12,060**
Transactions with shareholders							
Decrease in cooperative capital	-1,106	-	-	-	**-1,106**	-	-1,106
Profit distribution	-	-	-1	-1,285	**-1,286**	-	-1,286
Transfer of reserves	392	-	4,658	-5,052	**-1**	-	-1
Transactions with shareholders total	**-714**	**-**	**4,657**	**-6,337**	**-2,393**	**-**	**-2,393**
Other changes	-	-	-	12	**12**	-	12
Balance at 31 Dec 2020	**66,031**	**4,905**	**161,591**	**285,142**	**517,670**	**444**	**518,114**

(EUR 1,000)	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-con-trolling interests	Total equity capital
Balance at 31 Dec 2018	**64,670**	**-558**	**152,663**	**266,586**	**483,361**	**428**	**483,788**
IFRS 16 transition	-	-	-	4	**4**	-	4
Balance at 1st of Jan 2019	**64,670**	**-558**	**152,663**	**266,590**	**483,365**	**428**	**483,793**
Comprehensive income for the financial year							
Profit for the financial year	-	-	-	21,381	**21,381**	-5	21,376
Other comprehensive income	-	3,225	-	-894	**2,331**	-	2,331
Total comprehensive income for the financial year	**-**	**3,225**	**-**	**20,486**	**23,711**	**-5**	**23,707**
Transactions with shareholders							
Increase in cooperative capital	2,075	-	-	-	**2,075**	-	2,075
Profit distribution	-	-	-	-1,158	**-1,158**	-	-1,158
Transfer of reserves	-	-	4,271	-4,271	**-**	-	**-**
Transactions with shareholders total	**2,075**	**-**	**4,271**	**-5,429**	**916**	**-**	**916**
Disposals, shares and participations, measured at fair value through other comprehensive income		**1,094**	**-**	**-1,094**	**-**	**-**	**-**
Other changes	-	-	-	13	**13**	7	19
Balance at 31 Dec 2019	**66,745**	**3,761**	**156,934**	**280,566**	**508,006**	**429**	**508,435**

The result from the sale of equity shares measured at fair value through other comprehensive income (FVOCI) has been transferred to retained earnings from the fair value reserve.

POP BANK GROUP'S CASH FLOW STATEMENT

(EUR 1,000)	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Cash flow from operations		
Profit for the financial year	11,480	21,376
Adjustments to profit for the financial year	24,660	27,751
Increase (-) or decrease (+) in operating assets	**-346,971**	**-34,302**
Advances to credit institutions	7,065	3,237
Advances to customers	-238,399	-168,264
Investment assets	-117,307	125,668
Other assets	1,670	5,057
Increase (+) or decrease (-) in operating liabilities	**392,331**	**112,500**
Liabilities to credit institutions	59,676	34,513
Liabilities to customers	339,739	79,793
Other liablilities	-3,873	389
Income tax paid	-3,211	-2,195
Total cash flow from operations	**81,500**	**127,324**
Cash flow from investing activities		
Changes in other investments	-120	2,068
Purchase of PPE and intangible assets	-9,017	-12,710
Proceeds from sales of PPE and intangible assets	1,235	1,265
Net cash used in investing activities	**-7,902**	**-9,377**
Cash flow from financing activities		
Change in cooperative capital, net	-829	2,075
Interests paid on cooperative capital and other profit distribution	-1,285	-1,163
Debt securities issued, increase	246,821	139,750
Debt securities issued, decrease	-95,426	-167,449
Payment of lease liabilities	-1,831	-1,945
Net cash used in financing activities	**147,450**	**-28,732**
Change in cash and cash equivalents		
Cash and cash equivalents at period-start	194,071	104,854
Cash and cash equivalents at the end of the period	415,120	194,071
Net change in cash and cash equivalents	**221,049**	**89,217**

(EUR 1,000)	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Interest received	**78,691**	**77,065**
Interest paid	**4,468**	**7,804**
Dividends received	**4,355**	**4,534**
Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	7,468	6,528
Depreciations	10,016	10,019
Technical provision	5,287	6,119
Other	1,890	5,088
Adjustments to profit for the financial year	**24,660**	**27,752**
Cash and cash equivalents		
Liquid assets	11,435	12,078
Receivables from credit institutions payable on demand	403,684	181,991
Total	**415,120**	**194,069**

NOTES

NOTE 1 THE POP BANK GROUP AND THE SCOPE OF IFRS FINANCIAL STATEMENTS

The POP Bank Group (hereinafter also referred to as the "Group") is a financial group comprising POP Banks and POP Bank Centre coop and their subsidiaries and jointly controlled entities that operates in Finland. POP Banks are independent, regionally and locally operating cooperative banks. POP Bank Centre coop functions as the central institution of the Group. POP Bank Group offers retail banking services to retail customers, small and medium-sized enterprises, agricultural, forestry and bioeconomy companies, as well as non-life insurance services to retail customers.

The member credit institutions of POP Bank Centre coop include 22 cooperative banks and Bonum Bank Plc, which serves as the central credit institution for the member cooperative banks. The amalgamation of POP Banks is an economic entity referred to in the Act on the Amalgamation of Deposit Banks (599/2010) (hereinafter referred to as the "Amalgamation Act") the members of which and the central institution are jointly liable for each other's debts and commitments. The amalgamation of POP Banks consists of POP Bank Centre coop, which is the central institution, and its member credit institutions and the companies included in their consolidation groups, as well as credit institutions, financial institutions and service companies in which entities belonging to the amalgamation jointly hold more than 50 per cent of the votes. The companies included in the consolidation groups of the member credit institutions are primarily real estate companies.

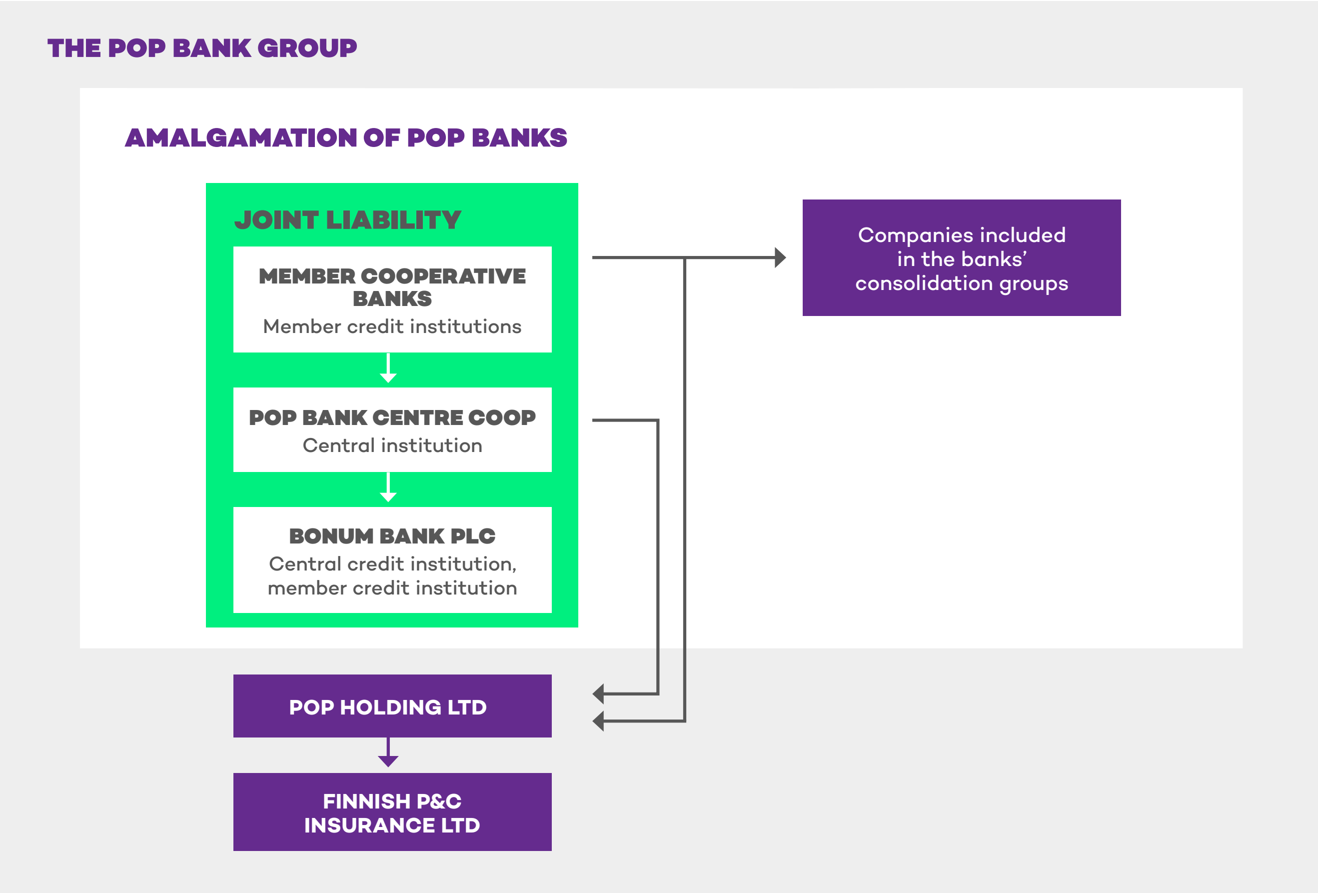
During the financial year, three internal mergers in the POP Bank Group took place. At the end of September, Sievin Osuuspankki and Tiistenjoen Osuuspankki merged with Pohjanmaan Osuuspankki and Hannulan Osuuspankki merged with Konneveden Osuuspankki. In addition, at the end of November, Kyrönmaan Osuuspankki merged with Lapuan Osuuspankki and the bank's name was changed to Lakeuden Osuuspankki. Following the mergers, the POP Bank Group includes 22 member banks. The mergers have no effect on the financial statements of the POP Bank Group.

The POP Bank Group also includes other entities besides the entities included in the amalgamation of POP Banks. In addition to the organisations that belong to the amalgamation of POP Banks, the POP Bank Group comprises POP Holding Ltd and its wholly owned company Finnish P&C Insurance Ltd. Neither of these are included in the scope of joint liability.

In accordance with the Amalgamation Act, the central institution shall prepare financial statements as a combination of the financial statements or the consolidated financial statements of the central institution and its member credit institutions in accordance with the International Financial Reporting Standards (IFRS).

The POP Bank Group does not form a group of companies referred to in the Accounting Act (1336/1997) or a consolidation group referred to in the Act on Credit Institutions (610/2014). POP Bank Centre coop or its member cooperative banks do not exercise control pursuant to IFRS accounting standards on each other, and therefore no parent company can be determined for the Group. In accordance with the Amalgamation Act, Board of Directors has ratified the Group's accounting policies suitable for this structure to the extent that the IFRS accounting standards do not acknowledge the Group's structure.

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



POP Bank Centre coop acts as the central institution responsible for group steering and supervision of the POP Bank Group in accordance with the Amalgamation Act. POP Bank Centre coop's registered office is Helsinki and its address is Hevosenkenkä 3, FI-02600 Espoo, Finland. POP Bank Centre coop has prepared the POP Bank Group's consolidated IFRS financial statements in accordance with the Act on the Amalgamation of Deposit Banks. The Board of Directors of POP Bank Centre coop has adopted the report and consolidated financial statements on 15 February 2021. The financial statements will be distributed to the general meeting of POP Bank Centre coop cooperative on 1 April 2021. Copies of the financial statements and the financial statements release of the POP Bank Group are available at the office of the central institution, address Hevosenkenkä 3, FI-02600 Espoo, Finland, and online at www.poppankki.fi.

NOTE 2 POP BANK GROUP'S ACCOUNTING POLICIES

The consolidated financial statements of the POP Bank Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations (IFRIC).

The financial statements bulletin for 1 January –30 December 2020 has been prepared in accordance with IAS 34 Interim Financial reporting and the accounting policies.

The figures disclosed in the financial statements bulletin are unaudited. The figures in the financial statements bulletin are in thousand euros, unless otherwise stated. The figures in the calculations and tables are rounded, whereby the sum total of individual figures may deviate from the sum total presented. The operating currency of all of the companies belonging to the POP Bank Group is euro.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The application of IFRS requires the management's assessments and assumptions concerning the future. These affect the reported amounts in the financial statements and the information included in the notes. The management's main estimates concern the future and the key uncertainties related to the amounts at the balance sheet date. In particular, they are related to fair value assessment and impairment of financial assets and intangible assets, as well as the assumptions used in actuarial analyses. The management's estimates and assumptions are based on the best view at the balance sheet date, which may differ from the actual result. Due to the corona pandemic, the fair values and impairments of financial assets are subject to greater uncertainty.

IMPAIRMENT OF FINANCIAL ASSETS

Calculation of the expected credit losses includes parameters requiring management's consideration. Management has to determine the method of taking macroeconomic information into consideration in the calculations, the principles of evaluating significant increases in the credit risk, the assessment of loss in default and the credit conversion factors applied to credit cards.

The future macroeconomic information used in the calculation of the expected credit losses (ECL) has been updated through projected GDP developments exceptionally twice during the financial year. The probability of a positive macroeconomic scenario was decreased in the beginning of the year due to the uncertainty caused by the corona pandemic. Management estimates that the information of the development and commercial distribution of several corona vaccines will improve the expectations for GDP developments in the coming financial years. As a result, the probability of a positive macroeconomic scenario was increased at the balance sheet date closer to the pre-pandemic level.

Management estimates that the instalment-free periods for loans that were applied in the beginning of corona pandemic may lead to increased payment difficulties at the end of 2020 and as a result additional impairment loss was recognized at the beginning of the pandemic. The instalment-free periods granted in the spring ended to a significant extent during the last quarter, and no corresponding amounts of new repayment reschedules have been applied for. Hence, management has considered to de-recognize the additional impairment loss since the possible deteriorating payment behaviour of customers will be reflected in the normal ECL calculation process through delays in loan repayments or potential problematic loan rearrangements.

Based on management's judgement, additional impairment losses have been recognized due to the increase in credit risk associated with certain issuers of debt securities. Management has assessed the financial situation of these issuers on a case-by-case basis and increased impairment loss provisions since these issuers have faced financial difficulties as a result of COVID-19 pandemic.

ADOPTION OF NEW STANDARDS

No new IFRS standards were adopted in the POP Bank Group's financial statements during the financial year.

IFRS 17 Insurance Contracts (IASB's tentative proposal: effective for financial years beginning on or after 1 January 2023)

The new standard for insurance contracts will help investors and other parties better understand insurers' risk exposure, profitability and financial position. This standard replaces the IFRS 4-standard. The adoption of the standard has been postponed by a decision of the IASB by one year. The POP Bank Group has started to evaluate the effects of adopting the standard. The POP Bank Group will adopt the standard when its application becomes mandatory in the financial year beginning on 1 January 2023. The standard has not yet been endorsed for use in the EU.

NOTE 3 THE POP BANK GROUP'S OPERATING SEGMENTS

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

The Banking segment includes the member cooperative banks and Bonum Bank Plc. Cooperative banks engage in retail banking and Bonum Bank Plc acts as their central credit institution. The most significant income items of Banking are net interest income, fee and commission income as well as investment income. The most significant expense items consist of personnel expenses and other operating expenses.

The Insurance segment comprises Finnish P&C Insurance Ltd, a provider of vehicle, property and personal insurance policies to private customers. The most significant income items of Insurance are insurance premium revenue and net investment income. The most significant expense items of Insurance consist of personnel expenses and other operating expenses.

Internal transactions between banks included in the Banking segment are eliminated in segment reporting. Pricing between segments is based on market prices. Transactions between the Banking segment and the Insurance segment are presented in unallocated items and eliminations. Unallocated items include income statement and balance sheet items related to other operations. The most significant institutions included in other operations are POP Holding Ltd and POP Bank Centre coop.

POP BANK GROUP'S OPERATING SEGMENTS 2020

INCOME STATEMENT 1 JANUARY – 31 DEC 2020

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Net interest income	73,548	564	**74,112**	-13	**74,099**
Net commissions and fees	31,552	-417	**31,135**	-86	**31,049**
Net investment income	1,505	253	**1,758**	-459	**1,298**
Net income from non-life insurance	-	11,611	**11,611**	-	**11,611**
Other operating income	5,831	483	**6,314**	-412	**5,902**
Total operating income*	**112,436**	**12,493**	**124,929**	**-970**	**123,959**
Personnel expenses	-30,711	-6,895	**-37,606**	-5,925	**-43,531**
Other operating expenses	-57,873	-1,100	**-58,973**	8,235	**-50,738**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-5,146	-2,027	**-7,173**	-1,736	**-8,908**
Total operating expenses	**-93,730**	**-10,022**	**-103,751**	**575**	**-103,177**
Impairment losses on loans and receivables	-7,445	-23	**-5,868**	-	**-7,468**
Share of the income of associates	-	-	**-**	78	**78**
Profit before tax	**11,262**	**2,448**	**13,710**	**-317**	**13,393**
Income tax expense	-2,092	101	**-1,991**	79	**-1,912**
Profit for the financial period	**9,170**	**2,549**	**11,719**	**-238**	**11,480**
External share of total operating income	112,436	12,493	**123,329**		
Internal share of total operating income	437	-	**437**		

BALANCE SHEET 31 DEC 2020

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Assets					
Liquid assets	391,544	-	**391,544**	-	**391,544**
Loans and receivables from credit institutions	60,547	5,617	**66,164**	-1,998	**64,166**
Loans and receivables from customers	3,870,155	-	**3,870,155**	-2,008	**3,868,147**
Investment assets	727,687	57,700	**785,387**	-96,516	**688,871**
Investments in associates and joint ventures	-	-	**-**	195	**195**
Intangible assets	13,441	4,763	**18,205**	2,344	**20,549**
Property, plant and equipment	30,621	794	**31,415**	723	**32,138**
Other assets	16,920	11,589	**28,509**	44	**28,553**
Tax assets	3,477	193	**3,670**	1,438	**5,108**
Total assets	**5,114,392**	**80,656**	**5,195,048**	**-95,778**	**5,099,270**
Liabilities					
Liabilities to credit institutions	96,944	-	**96,944**	275	**97,219**
Liabilities to customers	4,089,302	-	**4,089,302**	-3,257	**4,086,045**
Non-life insurance liabilities	-	43,915	**43,915**	-	**43,915**
Debt securities issued to the public	266,346	-	**266,346**	-	**266,346**
Supplementary cooperative capital	11,287	-	**11,287**	-	**11,287**
Other liabilities	44,856	4,956	**49,812**	2,179	**51,991**
Tax liabilities	23,950	338	**24,287**	66	**24,353**
Total liabilities	**4,532,684**	**49,209**	**4,581,893**	**-737**	**4,581,156**

POP BANK GROUP'S OPERATING SEGMENTS 2019

INCOME STATEMENT 1 JANUARY – 31 DEC 2019

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Net interest income	68,927	405	**69,332**	-14	**69,318**
Net commissions and fees	30,545	-450	**30,094**	-82	**30,013**
Net investment income	13,161	1,235	**14,395**	1,193	**15,588**
Net income from non-life insurance	-	10,913	**10,913**	-	**10,913**
Other operating income	4,777	436	**5,213**	317	**5,529**
Total operating income	**117,410**	**12,538**	**129,948**	**1,414**	**131,362**
Personnel expenses	-31,250	-6,927	**-38,177**	-4,666	**-42,843**
Other operating expenses	-51,119	-2,175	**-53,294**	5,366	**-47,927**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-4,769	-1,851	**-6,620**	-1,241	**-7,861**
Total operating expenses	**-87,138**	**-10,952**	**-98,090**	**-541**	**-98,631**
Impairment losses on loans and receivables	-6,487	-41	**-6,528**	-	**-6,528**
Share of the income of associates	-	-	**-**	-53	**-53**
Profit before tax	**23,785**	**1,545**	**25,330**	**821**	**26,150**
Income tax expense	-4,892	-13	**-4,905**	130	**-4,775**
Profit for the financial period	**18,893**	**1,532**	**20,425**	**951**	**21,376**
External share of total operating income	117,410	12,538	**129,948**		
Internal share of total operating income	163	-	**163**		

BALANCE SHEET 31 DEC 2019

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Assets					
Liquid assets	167,428	-	**167,428**	-	**167,428**
Loans and receivables from credit institutions	70,851	7,504	**78,355**	-4,063	**74,293**
Loans and receivables from customers	3,637,559	-	**3,637,559**	-2,071	**3,635,488**
Investment assets	621,202	45,946	**667,148**	-94,090	**573,058**
Investments in associates and joint ventures	-	-	**-**	116	**116**
Intangible assets	10,692	5,518	**16,210**	1,928	**18,138**
Property, plant and equipment	31,365	806	**32,171**	1,291	**33,462**
Other assets	18,134	11,154	**29,288**	1,325	**30,612**
Tax assets	1,679	6	**1,685**	1,275	**2,961**
Total assets	**4,558,910**	**70,934**	**4,629,844**	**-94,287**	**4,535,557**
Liabilities					
Liabilities to credit institutions	37,226	-	**37,226**	317	**37,542**
Liabilities to customers	3,751,741	-	**3,751,741**	-5,436	**3,746,305**
Non-life insurance liabilities	-	38,606	**38,606**	-	**38,606**
Debt securities issued to the public	114,829	-	**114,829**	-	**114,829**
Supplementary cooperative capital	18,003	-	**18,003**	-	**18,003**
Other liabilities	39,781	5,053	**44,834**	3,645	**48,479**
Tax liabilities	23,064	277	**23,341**	16	**23,357**
Total liabilities	**3,984,644**	**43,936**	**4,028,580**	**-1,458**	**4,027,122**

NOTE 4 NET INTEREST INCOME

(EUR 1,000)	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Interest Income		
Loans and advances to credit institutions	6	15
Loans and advances to customers	75,072	71,935
Debt securities		
Measured at amortised cost	494	-
Measured at fair value through profit or loss	267	401
Measured at fair value through other comprehensive income	3,369	3,794
Hedging derivatives	-	4
Other interest income	883	1,133
Total interest income	**80,090**	**77,281**
Of which positive interest expense	10	1
Interest expenses		
Liabilities to credit institutions	-386	-335
Liabilities to customers	-4,325	-6,745
Debt securities issued to the public	-1,246	-852
Other interest expenses	-34	-31
Total interest expenses	**-5,991**	**-7,963**
Of which negative interest income	-647	-783
Net interest income	**74,099**	**69,318**
Interest income from financial assets impaired due to credit risk (stage 3)	2,951	4,013

NOTE 5 NET COMMISSIONS AND FEES

(EUR 1,000)	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Commissions and fees		
Lending	7,418	7,573
Deposits	225	201
Payment transfers	18,472	17,752
Legal services	2,233	2,249
Intermediated services	3,226	3,021
Issuing guarantees	487	534
Funds	2,788	2,641
Other commission income	891	1,040
Total commissions and fees	**35,740**	**35,011**
Commissions expenses		
Payment transfers	-4,156	-4,197
Other commission expenses	-535	-801
Total commission expenses	**-4,691**	**-4,998**
Net commissions and fees	**31,049**	**30,013**

Commisisons and fees are mainly accrued from the banking segment.

NOTE 6 NET INVESTMENT INCOME

(EUR 1,000)	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Financial assets measured at fair value through profit or loss		
Debt securities		
Capital gains and losses	71	10
Fair value gains and losses	-825	515
Shares and participations		
Dividend income	4,346	4,123
Capital gains and losses	-1,344	161
Fair value gains and losses	382	10,867
Total	**2,630**	**15,676**
Financial assets measured at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	-73	-49
Transferred from fair value reserve to the income statement	-1,102	686
Dividend income*	9	411
Total	**-1,166**	**1,048**
Net income from foreign exchange trading	**441**	**359**
Net income from investment property		
Rental income	2,854	3,137
Capital gains and losses	-187	-82
Other income from investment property	110	139
Maintenance charges and expenses	-2,265	-2,522
Depreciations and amortisation of investment property	-1,107	-2,158
Other expenses from investment property	-13	-9
Total	**-607**	**-1,495**
Net income investments total	**1,298**	**15,588**

Net investment income includes net income from financial instruments except interest income from bonds recognised in net interest income.

*) Dividend income from equity shares measured at fair value through other comprehensive income held in the end of the financial period is EUR 9 (20) thousand euro. Dividend income from shares disposed during the financial period EUR 0 (391) thousand.

NOTE 7 INSURANCE INCOME

(EUR 1,000)	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Insurance premium revenue		
Premiums written	46,046	45,787
Change in the provision for unearned premiums	-1,752	-2,357
Gross insurance premium revenue	44,294	43,430
Ceded to reinsurers	-1,158	-960
Total insurance premium revenue	**43,137**	**42,470**
Claims incurred		
Claims paid	-27,969	-27,795
Change in provision for unpaid claims	-7,611	-7,704
Total claims incurred, gross	-35,580	-35,500
Ceded to reinsurers	4,054	3,943
Total claims incurred	**-31,526**	**-31,557**
Net insurance Income	**11,611**	**10,913**

NOTE 8 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS 31 DECEMBER 2020

(EUR 1,000)	Measured at amortised cost	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Expected credit loss	Total carrying amount
Liquid assets	391,544	-	-	-	391,544
Loans and advances to credit institutions	64,167	-	-	-1	64,166
Loans and advances to customers	3,900,449	-	-	-32,302	3,868,147
Debt securities *)	105,000	9,929	368,186	-41	483,074
Shares and participations	-	171,735	3,370	-	175,104
Financial assets total	**4,461,159**	**181,663**	**371,556**	**-32,344**	**4,982,035**
Other assets					117,235
Total assets at 31 Dec 2020					**5,099,270**

*) Expected credit loss of EUR 3,140 thousand from debt securities have been recorded in the fair value reserve.

FINANCIAL ASSETS 31 DECEMBER 2019

(EUR 1,000)	Measured at amortised cost	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Expected credit loss	Total carrying amount
Liquid assets	167,428	-	-	-	167,428
Loans and advances to credit institutions	74,299	-	-	-6	74,293
Loans and advances to customers	3,669,287	-	-	-33,798	3,635,488
Debt securities *)	-	11,664	298,982	-	310,646
Shares and participations	-	227,841	2,010	-	229,851
Financial assets total	**3,911,013**	**239,505**	**300,992**	**-33,804**	**4,417,706**
Other assets					117,851
Total assets at 31 Dec 2019					**4,535,557**

*) Expected credit loss of EUR 1,603 thousand from debt securities have been recorded in the fair value reserve.

FINANCIAL LIABILITIES 31 DECEMBER 2020

(EUR 1,000)	Measured at amortised cost	Total carrying amount
Deposits from banks	97,219	**97,219**
Deposits from customers	4,086,045	**4,086,045**
Debt securities issued to the public	266,346	**266,346**
Supplementary cooperative capital	11,287	**11,287**
Financial liabilities total	**4,460,896**	**4,460,896**
Other than financial liabilities		**120,260**
Total liabilities at 31 Dec 2020		**4,581,156**

FINANCIAL LIABILITIES 31 DECEMBER 2019

(EUR 1,000)	Measured at amortised cost	Total carrying amount
Deposits from banks	37,542	**37,542**
Deposits from customers	3,746,305	**3,746,305**
Debt securities issued to the public	114,829	**114,829**
Supplementary cooperative capital	18,003	**18,003**
Financial liabilities total	**3,916,680**	**3,916,680**
Other than financial liabilities		**110,442**
Total liabilities at 31 Dec 2019		**4,027,122**

NOTE 9 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES AND FAIR VALUES BY VALUATION TECHNIQUE

FINANCIAL ASSETS

(EUR 1,000)	31 Dec 2020 Carrying amount	31 Dec 2020 Fair value	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value
Liquid assets	391,544	391,544	167,428	167,428
Loans and receivables from credit institutions	64,166	64,358	74,293	75,617
Loans and receivables from customers	3,868,147	3,986,180	3,635,488	3,704,944
Investment assets				
Measured at amortised cost	104,959	106,495	-	-
At fair value through profit or loss	181,663	181,663	239,505	239,505
At fair value through other comprehensive income	371,556	371,556	300,992	300,992
Total	**4,982,035**	**5,101,796**	**4,417,706**	**4,488,485**

FINANCIAL LIABILITIES

(EUR 1,000)	31 Dec 2020 Carrying amount	31 Dec 2020 Fair value	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value
Liabilities to credit institutions	97,219	98,127	37,542	37,946
Liabilities to customers	4,086,045	4,074,582	3,746,305	3,702,003
Debt securities issued to the public	266,346	270,944	114,829	116,821
Supplementary cooperative capital	11,287	11,287	18,003	18,003
Total	**4,460,896**	**4,454,940**	**3,916,680**	**3,874,773**

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECURRENTLY RECOGNISED AT FAIR VALUE

ITEMS RECURRENTLY MEASURED AT FAIR VALUE 31 DECEMBER 2020

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
Investment assets				
At fair value through profit or loss				
Shares and participations	162,735	-	9,000	171,735
Debt securities	2,665	-	7,263	9,929
At fair value through other comprehensive income				
Shares and participations	-	-	3,370	3,370
Debt securities	260,540	107,647	-	368,186
Total	**425,940**	**107,647**	**19,633**	**553,220**

ITEMS RECURRENTLY MEASURED AT FAIR VALUE 31 DECEMBER 2019

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
Investment assets				
At fair value through profit or loss				
Shares and participations	219,654	-	8,187	227,841
Debt securities	4,718	-	6,945	11,664
At fair value through other comprehensive income				
Shares and participations	-	-	2,010	2,010
Debt securities	279,030	19,513	438	298,982
Total	**503,403**	**19,513**	**17,580**	**540,497**

FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are recorded in the balance sheet either at fair value or at amortised cost. The classification and measurement of financial instruments is described in more detail in Note 2 POP Bank Group's 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 if quotations are regularly available. This group included all securities with publicly quoted prices.

Level 2 includes financial instruments measures 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 instument allocated to Level 2 may be based on the value derived from the market quotation of components of an instrument. This group includes interest derivatives and other instruments that are not traded in liquid markets.

Level 3 includes financial instruments and other assets and liabilities 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 teghniques often involve insecurity. The fair value of assets allocated to Level 3 is often based on price information obtained from a third party. This group includes unlisted shares and funds and investment properties.

TRANSFERS BETWEEN FAIR VALUE HIERARCHIES

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

During the reporting period, securities of EUR 1,128 (577) thousand have been transferred from hierarchy level 1 and 2 to hierarchy level 3.

In addition, debt securities issued to the public have been transferred from hierarchy level 1 to hierarchy level 2 based on the volume of trades during the reporting period.

CHANGES IN FINANCIAL ASSETS RECURRENTLY MEASURED AT FAIR VALUE CLASSIFIED INTO LEVEL 3

(EUR 1,000)	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Carrying amount 1 Jan 2020	**15,132**	**2,448**	**17,580**
+ Purchases	1,900	120	**2,020**
- Sales	-514	-366	**-880**
- Matured during the financial year	-91	-300	**-391**
+/- Realised changes in value recognised in income statment	-123	-27	**-150**
+/- Unrealised changes in value recognised in the income statement	-378	-	**-378**
+/- Changes in value recogmised in other comprehensive income	-	1,309	**1,309**
+ Transfers from levels 1 and 2	1,128	186	**1,314**
- Transfers to levels 1 and 2	-791	-	**-791**
Carrying amount 31 Dec 2020	**16,264**	**3,370**	**19,633**

(EUR 1,000)	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Carrying amount 1 Jan 2019	**12,936**	**5,557**	**18,493**
+ Purchases	2,149	586	**2,735**
- Sales	-524	-2,278	**-2,802**
- Matured during the financial year	-389	-	**-389**
+/- Realised changes in value recognised in income statment	-125	-	**-125**
+/- Unrealised changes in value recognised in the income statement	470	-	**470**
+/- Changes in value recognised in other comprehensive income	37	1,085	**1,122**
+/- Sales revenue trasferred to retained earnings	-	-1,094	**-1,094**
+ Transfers from levels 1 and 2	577	-	**577**
- Transfers to levels 1 and 2	-	-1,408	**-1,408**
Carrying amount 31 Dec 2019	**15,132**	**2,448**	**17,580**

SENSITIVITY ANALYSIS OF FINANCIAL ASSETS AT LEVEL 3

31 DECEMBER 2020

		Possible effect on equity capital	
(EUR 1,000)	**Carrying amount**	**Positive**	**Negative**
Financial assets at fair value through profit or loss	16,264	1,423	-1,423
Financial assets at fair value through other comprehensive income	3,370	505	-505
Total	**19,633**	**1,928**	**-1,928**

31 DECEMBER 2019

		Possible effect on equity capital	
(EUR 1,000)	**Carrying amount**	**Positive**	**Negative**
Financial assets at fair value through profit or loss	15,132	1,292	-1,292
Financial assets at fair value through other comprehensive income	2,448	306	-306
Total	**17,580**	**1,598**	**-1,598**

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

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

NOTE 10 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

IMPAIRMENT LOSSES RECORDED DURING THE REPORTING PERIOD

(EUR 1,000)	**1 Jan - 31 Dec 2020**	**1 Jan - 31 Dec 2019**
Change of ECL due to write-offs	3,540	1,687
Change of ECL, receivables from customers and off-balance sheet items	-2,143	-4,930
Change of ECL, debt securities	-1,574	-260
Final credit losses	-7,291	-3,025
Impairment losses on financial assets total	**-7,468**	**-6,528**

During the financial year, EUR 7,291 (3,205) thousand was recognized as final credit loss. Recollection measures are attributed to EUR 2,779 (756) thousand. Final credit losses was mainly due to a credit loss of EUR 2,770 (398) thousand recorded on unsecured consumer loans.

The macro-scenarios used in the calculation of expected credit losses (ECL) were exceptionally updated twice during the financial year due to the pandemic. The effect of changes in macro-scenarios on the result for the financial year remained marginal as GDP forecasts improved at the end of the financial year.

Changes in expected credit loss (ECL) during the financial period are presented in the tables below. Stage 1 represents financial instruments whose credit risk has not increased significantly since the initial recognition. Expected credit losses are determined for such financial instruments based on expected loan losses for 12 months. Stage 2 represents financial instruments whose credit risk has increased significantly after the initial recognition on the basis of qualitative or quantitative criteria and, for stage 3, financial instruments whose counterparty has been declared as default. Expected credit losses are determined for financial instruments classified in Stage 2 and 3 based on the expected credit losses over the entire life of the instrument.

The principles for calculating expected credit losses and determining the probability of default are presented in section 4.5 Impairment of financial assets of Note 2 of the POP Bank Group's IFRS financial statements.

RECEIVABLES FROM CUSTOMERS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	**4,761**	**3,351**	**25,693**	**33,804**
Transfers to stage 1	167	-1,157	-2,883	**-3,874**
Transfers to stage 2	-352	1,109	-1,309	**-551**
Transfers to stage 3	-203	-222	5,106	**4,681**
Increases due to origination	2,526	1,250	3,461	**7,237**
Decreases due to derecognition	-1,088	-640	-7,849	**-9,578**
Changes due to change in credit risk (net)	-450	-152	4,727	**4,124**
Decreases due to write-offs	-	-	-3,540	**-3,540**
Total	**599**	**188**	**-2,288**	**-1,501**
ECL 31 Dec 2020	**5,360**	**3,538**	**23,405**	**32,304**

The forbearance measures and instalment-free periods granted as a result of pandemic expired mainly during the last quarter and corresponding amounts of new forbearance measures were not applied for. At the beginning of the pandemic the unallocated loan loss provision of EUR 320 thousand was recognized, which was de-recognized at the end of the financial year due to the expired instalment-free periods. Terminated instalment-free periods have not impacted to the amount of late payments or customers scoring at large scale. More detailed information of forbearance measures is provided in Note 4 of the POP Bank Group's IFRS financial statements.

The largest change in expected credit losses on receivables from customers is from decreases due to derecognition total EUR 9,578 (4,496) thousand. Transfers to stage 3 totaled EUR 5,106 (7,122) thousand.

DEBT SECURITIES

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	**117**	**1,125**	**360**	**1,603**
Transfers to stage 1	1	-4	-	**-3**
Transfers to stage 2	-7	63	-	**57**
Transfers to stage 3	-3	-272	340	**65**
Increases due to origination	73	26	40	**140**
Decreases due to derecognition	-19	-175	-	**-193**
Changes due to change in credit risk (net)	6	26	33	**65**
Changes due to management estimates	-	149	1,299	**1,449**
Total	**51**	**-186**	**1,713**	**1,578**
ECL 31 Dec 2020	**169**	**939**	**1,713**	**3,181**

An additional provision EUR 1,449 (0) thousand has been made in the debt securities based on management's judgement, as the pandemic has affected the financial conditions of certain issuers. Management judgement explains majority of the changes in expected credit loss.

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	**375**	**75**	**238**	**688**
Transfers to stage 1	4	-44	-26	**-67**
Transfers to stage 2	-14	48	-5	**28**
Transfers to stage 3	-1	0	22	**20**
Increases due to origination	166	75	53	**294**
Decreases due to derecognition	-44	-8	-35	**-87**
Changes due to change in credit risk (net)	-155	-7	73	**-89**
Total	**-44**	**63**	**81**	**100**
ECL 31 Dec 2020	**331**	**138**	**319**	**788**

ECL 1 Jan 2020	**5,253**	**4,551**	**26,291**	**36,095**
ECL 31 Dec 2020	**5,860**	**4,616**	**25,797**	**36,273**

BALANCE SHEET ITEM BY STAGE 31 DEC 2020

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	2,397,346	139,168	50,819	**2,587,333**
Corporate	640,183	45,952	36,604	**722,739**
Agriculture	482,686	78,029	29,661	**590,377**
Receivables from customers total	**3,520,216**	**263,149**	**117,084**	**3,900,449**
Off-balance sheet commitments				
Private	220,577	8,681	813	**230,070**
Corporate	40,614	5,196	116	**45,926**
Agriculture	17,118	3,497	372	**20,987**
Off-balance sheet commitments total	**278,308**	**17,374**	**1,301**	**296,984**
Debt securities				
Banking segment	395,545	31,234	4,487	**431,266**
Insurance segment	28,774	13,146	-	**41,920**
Debt securities total	**424,319**	**44,381**	**4,487**	**473,186**

RECEIVABLES FROM CUSTOMERS AND OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2019	**3,763**	**4,125**	**22,822**	**30,709**
Transfers to stage 1	180	-1,352	-2,635	**-3,807**
Transfers to stage 2	-134	1,199	-2,075	**-1,010**
Transfers to stage 3	-102	-610	7,122	**6,409**
Increases due to origination	2,413	718	1,232	**4,363**
Decreases due to derecognition	-610	-570	-3,315	**-4,496**
Changes due to change in credit risk (net)	-842	-184	1,969	**943**
Changes in calculation parametres	95	25	2,260	**2,379**
Decreases due to write-offs	-	-	-1,687	**-1,687**
Total	**998**	**-774**	**2,871**	**3,095**
ECL 31 Dec 2019	**4,761**	**3,351**	**25,693**	**33,804**

DEBT SECURITIES

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2019	**134**	**1,170**	**-**	**1,303**
Transfers to stage 1	7	-138	-	**-132**
Transfers to stage 2	-2	7	-	**5**
Increases due to origination	46	482	360	**888**
Decreases due to derecognition	-69	-321	-	**-390**
Changes due to change in credit risk (net)	1	-74	-359	**-432**
Changes in calculation parametres	-	-	359	**359**
Total	**-16**	**-44**	**360**	**299**
ECL 31 Dec 2019	**117**	**1,125**	**360**	**1,603**

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2019	**279**	**75**	**226**	**580**
Transfers to stage 1	5	-30	-48	**-73**
Transfers to stage 2	-5	10	-11	**-5**
Transfers to stage 3	-3	-1	33	**29**
Increases due to origination	228	49	14	**291**
Decreases due to derecognition	-34	-15	-64	**-113**
Changes due to change in credit risk (net)	-96	-13	89	**-20**
Total	**96**	**0**	**13**	**109**
ECL 31 Dec 2019	**375**	**75**	**238**	**688**

ECL 1 Jan 2019	**4,175**	**5,369**	**23,048**	**32,593**
ECL 31 Dec 2019	**5,253**	**4,551**	**26,291**	**36,095**

BALANCE SHEET ITEM BY STAGE 31 DEC 2019

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	2,288,317	105,538	57,484	**2,451,339**
Corporate	557,804	52,909	39,648	**650,360**
Agriculture	446,416	90,459	30,713	**567,587**
Receivables from customers total	**3,292,536**	**248,905**	**127,846**	**3,669,287**
Off-balance sheet commitments				
Private	196,045	5,609	416	**202,069**
Corporate	33,869	4,313	631	**38,813**
Agriculture	19,480	2,476	326	**22,282**
Off-balance sheet commitments total	**249,394**	**12,398**	**1,373**	**263,164**
Debt securities				
Banking segment	229,710	35,463	40	**265,212**
Insurance segment	27,731	6,039	-	**33,770**
Debt securities total	**257,440**	**41,501**	**40**	**298,982**

NOTE 11 LOANS AND RECEIVABLES

(EUR 1,000)	31 Dec 2020	31 Dec 2019
Loans and receivables from credit institutions		
Deposits		
Repayable on demand	23,575	26,641
Other	40,591	47,652
Total loans and advances to credit institutions	**64,166**	**74,293**
Loans and advances to customers		
Loans	3,789,800	3,550,394
Loans granted from government funds	2,637	3,292
Guarantees	487	379
Used overdrafts	37,505	43,112
Credit card receivables	37,717	38,312
Total loans and advances to customers	**3,868,147**	**3,635,488**
Total loans and receivables	**3,932,313**	**3,709,781**

NOTE 12 INVESTMENT ASSETS

(EUR 1,000)	31 Dec 2020	31 Dec 2019
Measured at amortised cost		
Debt securities	104,959	-
At fair value through profit or loss		
Debt securities	9,929	11,664
Shares and participations	171,735	227,841
At fair value through other comprehensive income		
Debt securities	368,186	298,982
Shares and participations	3,370	2,010
Investment properties	30,692	32,562
Investment assets total	**688,871**	**573,058**

INVESTMENTS ON 31 DECEMBER 2020

	Measured at amortised cost	At fair value through profit or loss		At fair value through other comprehensive income		
(EUR 1,000)	Debt securities	Debt securities	Shares and participations	Debt securities	Shares and participa-tions	Total
Quoted						
Public sector entities	-	-	-	77,700	-	77,700
Other	104,959	3,141	164,102	183,976	-	456,177
Other						
Public sector entities	-	-	-	106,511	-	106,511
Other	-	6,787	7,633	-	3,370	17,790
Investments total	**104,959**	**9,929**	**171,735**	**368,186**	**3,370**	**658,179**

INVESTMENTS ON 31 DECEMBER 2019

	At fair value through profit or loss		At fair value through other comprehensive income		
(EUR 1,000)	Debt securities	Shares and participations	Debt securities	Shares and participations	Total
Quoted					
Public sector entities	-	-	101,441	-	101,441
Other	11,664	220,787	197,541	-	429,992
Other					
Other	-	7,054	-	2,010	9,063
Investments total	**11,664**	**227,841**	**298,982**	**2,010**	**540,497**

The most important risks with regard to investments are interest rate and credit spread risk and the liquidity premium. Below is a summary of the investments at fair value through profit or loss and at fair value through other comprehensive income in different market risk scenarios. The shocks used are based on possible changes in the securities under stressed conditions and reflect the resulting effect on the profit or the comprehensive income statement.

SENSITIVITY ANALYSIS

		31 Dec 2020		31 Dec 2019	
(EUR 1,000)	**Stress**	**Effect on profit**	**Effect on comprehensive income**	**Effect on profit**	**Effect on comprehensive income**
Change in Risk-free Interest Rate	+100 bp	-2,135	-7,173	-2,794	-7,868
Change in Credit Spreads	+50 bp	-1,121	-3,766	-1,467	-4,130
Change in Listed and Unlisted Equities	-10 %	-1,806	-337	-2,302	-201
Foreign Exchange risk	-10 %	-2,060	-365	-2,388	-293

NOTE 13 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	**31 Dec 2020**	**31 Dec 2019**
Liabilities to credit institutions		
Central Banks	50,000	-
Repayable on demand	1,995	2,287
Not repayable on demand	45,224	35,255
Total liabilities to credit institutions	**97,219**	**37,542**
Liabilities to customers		
Deposits		
Repayable on demand	3,583,780	3,232,560
Not repayable on demand	499,814	510,538
Other financial liabilities		
Not repayable on demand	2,451	3,207
Total liabilities to customers	**4,086,045**	**3,746,305**
Total liabilities to credit institutions and customers	**4,183,263**	**3,783,848**

In June Bonum Bank Plc participated to ECB's TLTRO III programme with EUR 50 million which is included in liabilities to credit Institutions. The loan expires on 30 June 2023 but repayment is possible starting from 29 September 2021. The terms of the loan are more favourable compared to market-based line of credit. Financial relevance of the loan compared to a market-based credit is not significant. Interest rate of the loan is determined by the rate of ECB's deposit facility. In addition, the growth of POP Group's outstanding loans have an affect on the interest rate of the ECB loan, as according to the terms of the TLTRO programme.

NOTE 14 INSURANCE CONTRACT LIABILITIES

(EUR 1,000)	31 Dec 2020	31 Dec 2019
Provision for unearned premiums	19,813	18,061
Provisions for unpaid claims	36,370	28,759
Reinsurers' share	-12,268	-8,214
Total insurance contract liabilities	**43,915**	**38,606**

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

NOTE 15 DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1,000)	31 Dec 2020	31 Dec 2019
Debt securities issued to the public	224,910	94,839
Certificates of deposits	41,436	19,990
Total debt securities issued to the public	**266,346**	**114,829**

DEBT SECURITIES ISSUED TO THE PUBLIC

Name	Due date	Interest	Nominal
BONUM FRN 290121	29.1.2021	EB 3kk + 0,75 %	20,000
BONUM FRN 180422	18.4.2022	EB 3kk + 0,88 %	75,000
Issued during the financial period			
BONUM FRN 120723	12.7.2023	EB 12kk + 1,044 %	50,000
BONUM FRN 170124	17.1.2024	EB 12kk + 1,2 %	55,000

In addition, certificates of deposit with a total nominal value of EUR 41.5 (20.0) million were outstanding on the balance sheet date. Amount of the certificates is 12, nomimals range from EUR 1.5 million to EUR 5 million with average maturity is 9.9 months.

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

(EUR 1,000)	31 Dec 2020	31 Dec 2019
Balance at 1 Jan	**114,829**	**142,399**
Debt securities issued, increase	129,995	114,764
Certificates of deposits, increase	116,826	24,986
Total increase	**246,821**	**139,750**
Debt securities issued, decrease	-	-119,980
Certificates of deposits, decrease	-95,426	-47,469
Total decrease	**-95,426**	**-167,449**
Total changes in cash flow	**151,395**	**-27,699**
Valuation, accrued interest	122	130
Balance at 31 Dec	**266,346**	**114,829**

NOTE 16 COLLATERAL GIVEN

(EUR 1,000)	31 Dec 2020	31 Dec 2019
Given on behalf of own liabilities and commitments		
Pledges	2,546	2,546
Mortgages	-	3,841
Collateral given to the Bank of Finland	115,673	20,740
Total collateral given	**118,218**	**27,127**

NOTE 17 OFF-BALANCE-SHEET COMMITMENTS

(EUR 1,000)	31 Dec 2020	31 Dec 2019
Guarantees	17,064	17,029
Loan commitments	279,920	246,135
Total off-balance sheet commitments	**296,984**	**263,164**
Other commitments		
Commitment to invest in venture capital funds	2,779	3,500
Total other commitments	**2,779**	**3,500**

The expected credit losses of off-balance sheet commitments are presented in Note 10.

NOTE 18 RELATED PARTY DISCLOSURES

The related parties of POP Bank Group comprise the companies and associates consolidated in the financial statements, and members of the Board of Directors and Executive Group and members of their immediate families.

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

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

RELATED-PARTY TRANSACTIONS

	Key persons in management		Other	
(EUR 1,000)	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Assets				
Loans	2,700	2,457	3,635	1,546
Expected credit loss	2	6	2	5
Liabilities				
Deposits	1,822	1,297	2,235	654
Off-balance-sheet commitments				
Loan commitments	80	81	96	29
Guarantees	196	142	228	50
Investments to other than cooperative contributions	209	215	159	88

	Key persons in management		Other	
(EUR 1,000)	**1 Jan - 31 Dec 2020**	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2020**	**1 Jan - 31 Dec 2019**
Income and expenses				
Interest income	34	33	61	54
Interest expenses	3	5	2	3
Insurance premium revenue	14	14	5	6

COMPENSATION TO KEY PERSONS IN MANAGEMENT

(EUR 1,000)	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Short-term employee benefits	2,430	2,291
Post-employment benefits	22	103
Total compensation to key persons in management	**2,452**	**2,394**

NOTE 19 EVENTS AFTER THE CLOSING DATE

S&P Ratings has affirmed January 22, 2021 Bonum Bank Plc's long-term counterparty credit ratings 'BBB' and short-term credit rating 'A-2'. The agency revised the bank's outlook from negative to stable.

The Board of Directors of POP Bank Centre coop is not aware of any other events after the closing date that would have a material impact on the information presented in the financial statements of the POP Bank Group.

POP Bank