POP BANK GROUP

ANNUAL REPORT

2021

POP Bank

CONTENTS

This document is a translation of the original Finnish version "POP Pankki -ryhmä vuosikertomus 2021". In case of discrepancies, the Finnish version shall prevail.

CEO'S REVIEW

The year 2021 was successful for the Pop Bank Group in many ways. The result for the financial year was the best in the history of the amalgamation. The profit before taxes was EUR 44.7 million, compared with EUR 12.9 million in the previous year. Business operations developed favourably across the whole POP Bank Group, with both operating segments achieving record results.

The Group's loan portfolio increased by 9.7 per cent during 2021, amounting to EUR 4.2 billion. The increase in the loan portfolio contributed to net interest income, which grew by 5.7 per cent year-on-year. In the banking segment, the Group focused strongly on sales development, which was also reflected in net commission income during the year under review. Net commission income grew by 16.3 per cent to EUR 36.3 million, and the gross sales of investment solutions brokered by the banks increased by more than 60 per cent year-on-year.

The banking segment's profit before taxes was EUR 40.4 million. The POP Banks' customer-oriented and personal approach, which includes the offering of digital services, clearly meets customers' needs. According to the independent EPSI Rating survey, POP Bank had the most satisfied private customers in Finland for the tenth consecutive time. In 2021, POP Bank participated in the EPSI Rating survey for corporate customers for the first time, with the results showing that, in this business too, POP Bank has the most satisfied customers in Finland.

The POP Bank Group's insurance company, which mainly operates online, continued to improve its results and succeeded in creating profitable growth. The company sells non-life insurance policies primarily through digital channels – an operating model that has proven to be effective. The insurance segment's profit before taxes was EUR 5.0 million, representing an increase of EUR 2.5 million year-on-year. The loss ratio decreased from 71.3 per cent in 2020 to 71.2 per cent in 2021. Earnings performance was supported by favourable trends in both premium revenue volumes and claims incurred, and by upward trending investment markets.

The fair values of investments increased throughout 2021 as the investment markets continued to grow, backed by the global economic recovery and extensive support and stimulus programmes. The POP Bank Group's net investment income totalled EUR 10.0 million, representing an increase of EUR 8.7 million year-on-year.

Operating expenses increased by 16.9 per cent year-on-year, as the Group focused on growth and made preparations for system reform. In line with our strategy, business development also focused on investments in digital services, online security and secure payments. We continued to digitalise our services at a rapid rate, introducing a quick and fully automated housing loan application, the Apple Pay mobile app, and many other services for our customers.

Discontinuation of the core banking system reform project with Oy Samlink Ab in June 2021 had a significant impact on the Group's profit, boosting it by EUR 25.7 million. However, the Group's core business development was already on a sound footing. Excluding the non-recurring items related to the termination of the project, the Group's profit increased by 46.7 per cent year-on-year. Towards the end of 2021, the POP Bank Group finalised a new core banking system delivery agreement, which was signed in January 2022 with Crosskey, our new partner. The agreement will have no immediate impact on our customers' banking services. The new core banking system is scheduled to be launched during 2025.

Development of the Group's structure has continued steadily, but surely. In March, the POP Banks entered into an agreement on single operator status at the amalgamation level. This strengthens the steering power of the POP Bank Centre coop, in its capacity as the central institution, and clarifies the banks' position in terms of competition law. In addition to growing organically, the Group's banks continued to grow in unit size through corporate restructuring in the form of a two-bank merger within the Group in early 2021, and a three-bank merger plan announced towards the end of the year. The Group filed a licence application for its mortgage bank in the second half of the year as planned. Our intention is to start mortgage banking during 2022.

The POP Bank Group has monitored the implementation of the EU's sustainable finance strategy and adjusted its processes to meet the new standards, some of which will enter into force in 2022. At the same time, we have been reviewing our own responsibility programme and the development needs of our service and product offering. In the autumn, we launched new loan programmes for private and corporate customers for their purchases and investments aimed at mitigating climate change, and introduced environmental calculators that make it possible to calculate the emission impacts of a change in heating systems, for example.

Sustainable and customer-oriented business operations are now more topical than ever. Customers are assessing the services they acquire more multidimensionally than before, and appreciate genuine added value – not only for their personal needs, but also for societal and environmental needs, and for the continued promotion of social equality in the future.

As cooperative banks, the POP Banks have been customer-oriented for a long time, and have taken responsibility not only for economic values, but also for equality, their local communities and the environment. In recent years, we have substantially reformed our traditional operating model, delivering on the same sustainable values in an increasingly digital form.

The year 2021 showed that our customers appreciate our customer-oriented operating model, and that we create significant added value for our customers, both through digital channels and through our network of regional branches. We will continue our award-winning customer-oriented business operations in all channels.

I would like to thank all our members, customers, employees and partners for the trust you have shown in us!

Jaakko Pulli
CEO
POP Bank Centre coop

POP BANK IN BRIEF

The POP Bank Group is a Finnish financial group that offers retail banking services for private customers, small and medium-sized enterprises, in addition to providing private customers with non-life insurance services. The most significant companies with customer operations in the POP Bank Group are 21 POP Banks, Bonum Bank Plc and Finnish P&C Insurance Ltd, which uses the auxiliary business name POP Insurance. POP Bank Centre coop, the central institution, is responsible for the group steering and supervision.

POP BANK GROUP'S MISSION AND VISION

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 Our 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. We focus 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.

POP BANK GROUP'S STRATGY

In with our vision, our strategy emphases 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. The POP Bank Group's strategy determines longterm financial targets for banking operations at the level of the amalgamation. In accordance with the strategy for insurance operations, the target for the consolidated cost ratio, which is calculated based on the company's national financial statements reporting. The following chart presents the targets and attainments during year 2021. POP Bank Group met all of its strategic targets for both of its business segments in 2021.

The amalgamation's strategic target setting	**Target**	**Year 2021**
Cost-to-income ratio	60 %	68.8 %
Operating profit of the balance sheet total	0.7 %	0.7 %
Tier 1 (CET1) capital ratio	17.5 %	19.2 %
Insurance operations strategic target setting		
Consolidated cost ratio	96.5 %	92.5 %

Operating income
176.2
EUR million

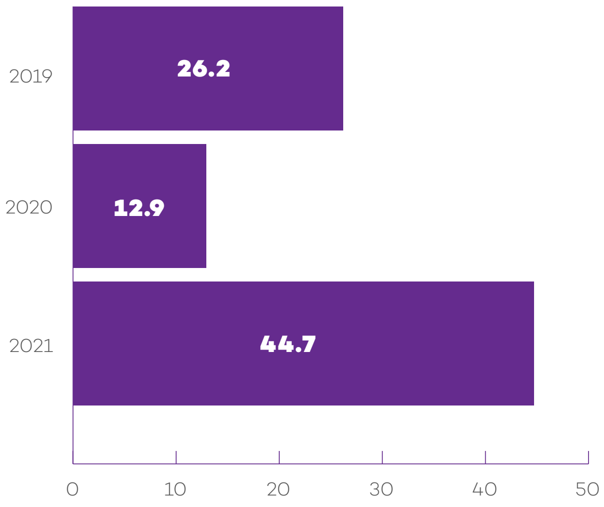
Profit before tax
44.7
EUR million

Net interest income
78.3
EUR million

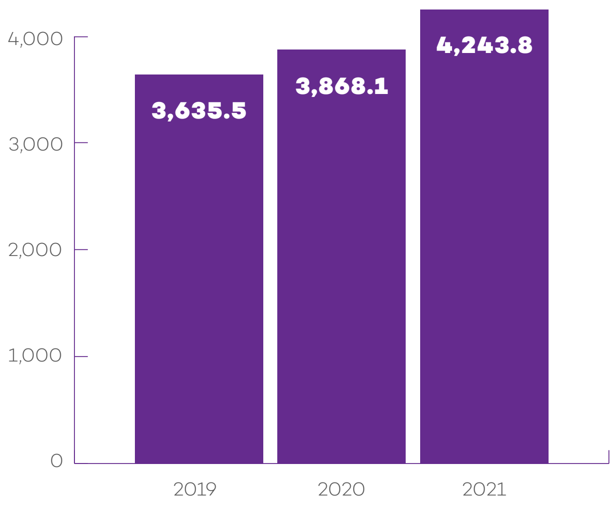
Loan portfolio
4.2
EUR billion

CET 1 capital ratio
19.2 %

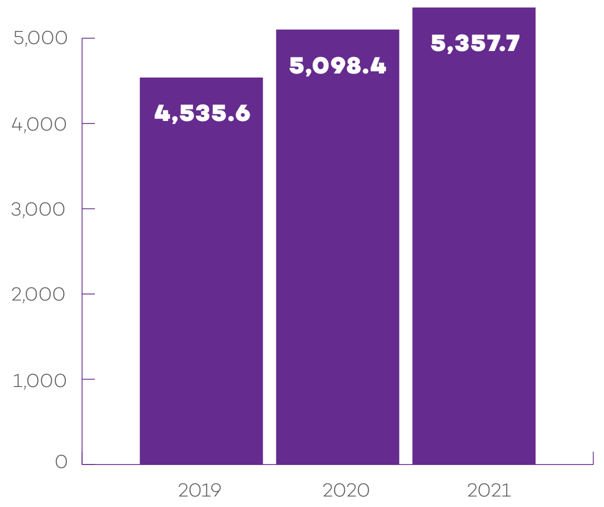
PROFIT BEFORE TAX, EUR MILLION



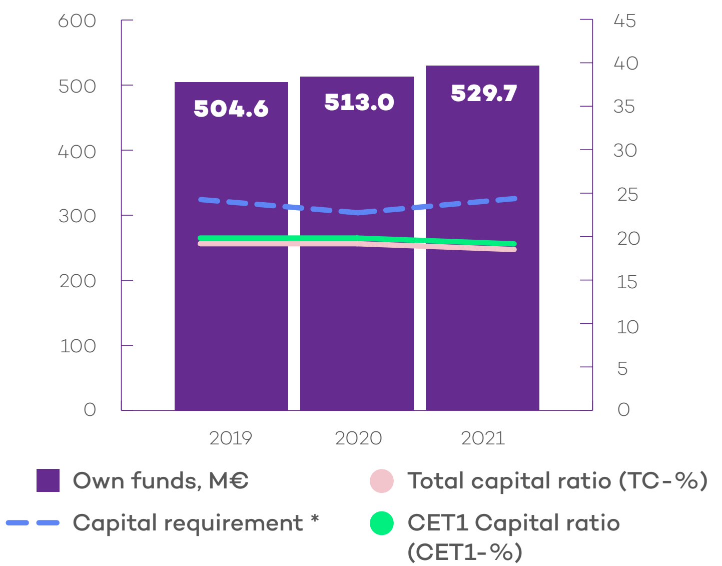
LOAN PORTFOLIO, EUR MILLION



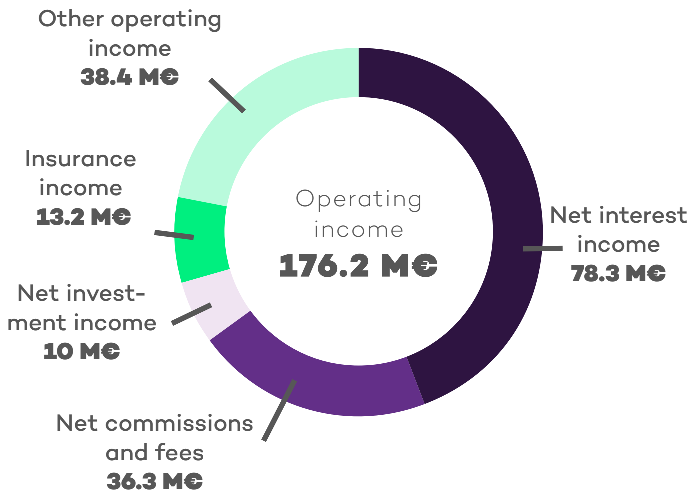
BALANCE SHEET, EUR MILLION



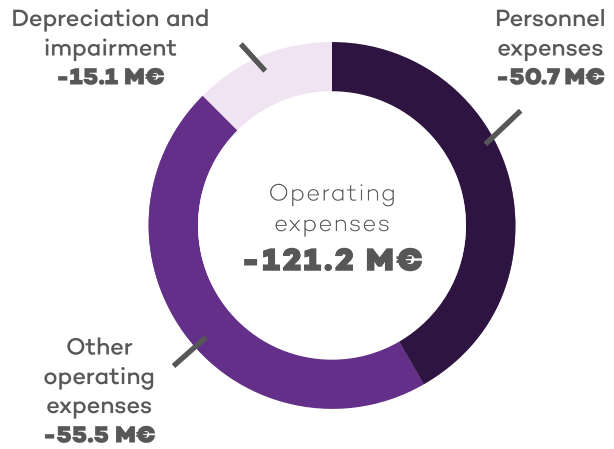
CAPITAL ADEQUACY



OPERATING INCOME, EUR MILLION



OPERATING EXPENSES, EUR MILLION



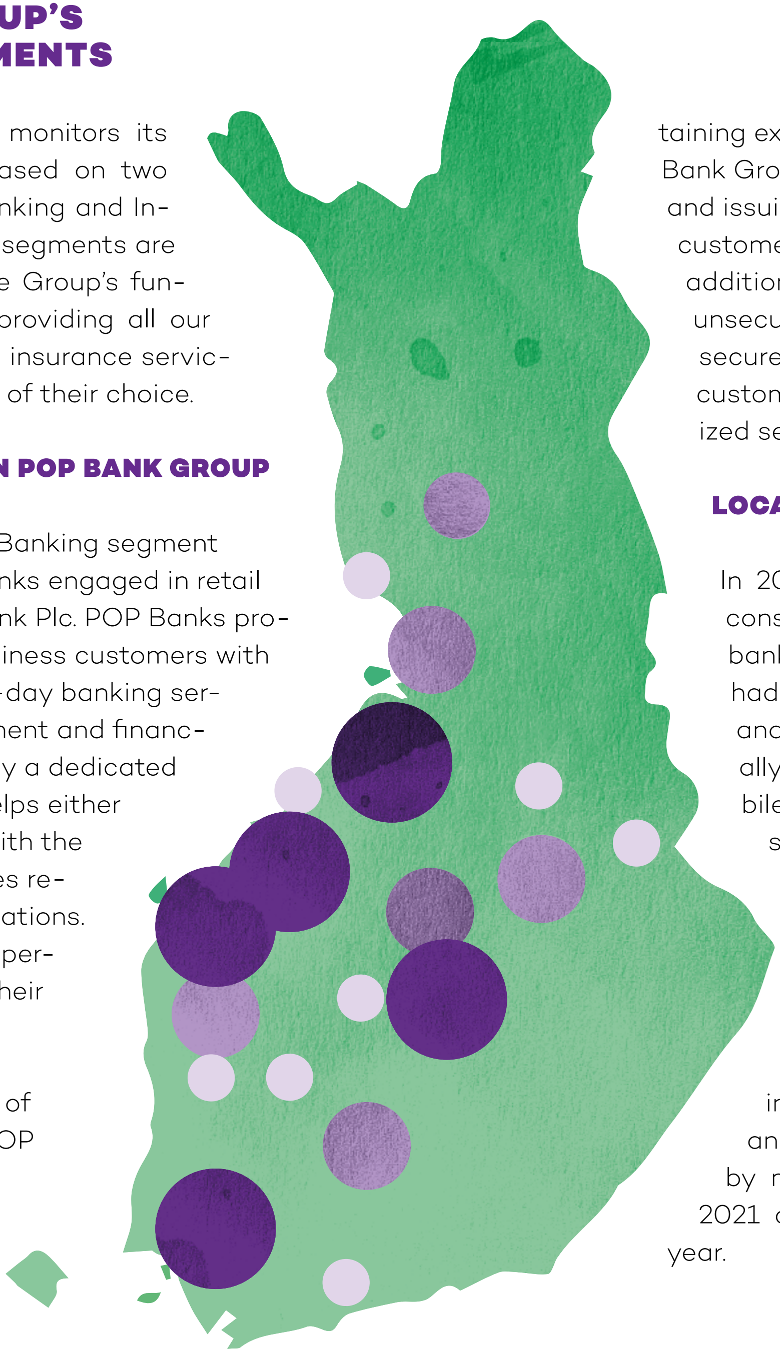
POP BANK GROUP'S BUSINESS SEGMENTS

The POP Bank Group monitors its business operations based on two business segments: Banking and Insurance. Both business segments are operating based on the Group's fundamental principle of providing all our customers banking and insurance services through any channel of their choice.

BANKING SEGMENT IN POP BANK GROUP

The POP Bank Group's Banking segment consists of the POP Banks engaged in retail banking and Bonum Bank Plc. POP Banks provide their retail and business customers with comprehensive day-to-day banking services as well as investment and financing services. Additionally a dedicated bank contact person helps either online or face to face with the need of banking services related to various life situations. The POP Banks are cooperative banks owned by their member customers.

Bonum Bank Plc is part of the amalgamation of POP Banks and is responsible for providing POP central credit institution services, obtaining external funding for the POP Bank Group, handling payments and issuing payment cards to the customers of the POP Banks. In addition, Bonum Bank Plc grants unsecured consumer credits and secured debt securities to retail customers and provides centralized services for the POP Banks.



LOCAL SERVICE NATIONALLY

In 2021, the POP Bank Group consists of 21 cooperative banks. The POP Bank network had in total 75 bank offices and service points. Additionally versatile online and mobile banking channels enable safe transactions and convenient way to meet and communicate with the dedicated contact person. For example the number of POP Verkkohetki, the online meeting concept with the bank and the customer, increased by more than 40 per cent in 2021 compared to the previous year.

BANKING SEGMENT'S KEY FIGURES

Profit before tax
40.4
(10.8) million euros

Cost-to-income-ratio
66.2
(83.1) per cent

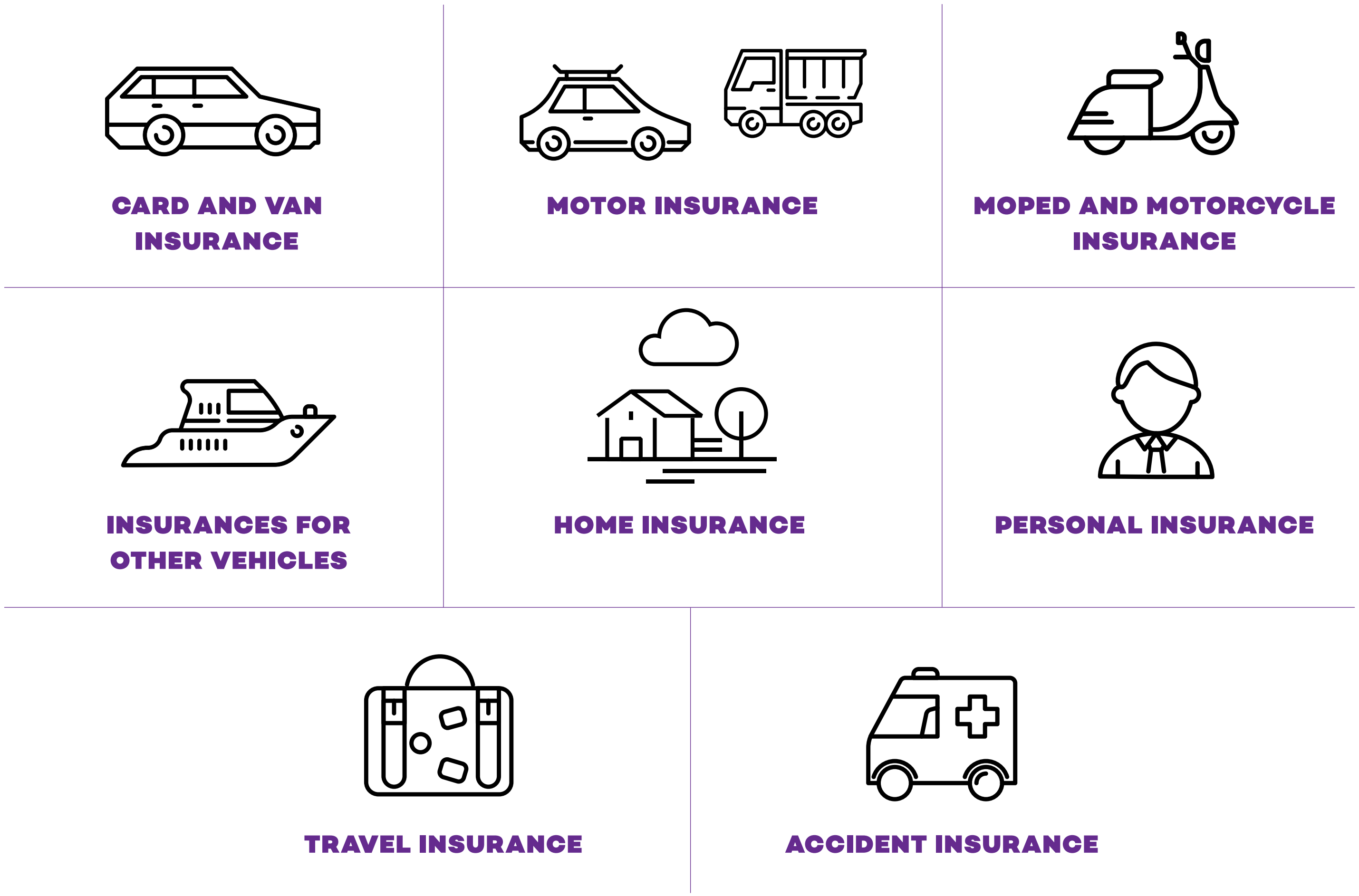
Net interest income
77.7
(73.5) million euros

Net commissions and fees
36.8
(31.6) million euros

Customers
256,300
(253,700)

INSURANCE SEGMENT IN POP BANK GROUP

The Group's insurance segment includes Finnish P&C Insurance Ltd, established in 2012 and that uses in its marketing and sales operations the auxiliary business name of POP Insurance. The insurance company offers typical non-life insurance products to private customers. The insurances are mostly sold via electronic channels.



Non-life insurance products of POP Insurance

INSURANCE SEGMENT'S KEY FIGURES

Profit before tax
5.0
(2.4) million euros

Net insurance income
13.2
(11.6) million euros

Loss ratio
71.2
(73.1) per cent

Operating expense ratio
21.3
(21.9) per cent

Consolidated cost ratio
92.5
(95.0) per cent

Customers
171,600
(156,500)

SUCCESS FEEDS SUCCESS

Marko Lindfors was appointed CEO of Finnish P&C Insurance Ltd in April 2021. The company is known as POP Insurance, and is part of the POP Bank Group. He has served the company since its establishment, most recently as its Deputy CEO. Founded in 2012, the company has been a success story in the traditional insurance sector. It has focused on digital operations from the very beginning.

YET AGAIN, POP INSURANCE HAS ACHIEVED THE BEST RESULT IN ITS HISTORY. CAN YOU ELABORATE A LITTLE ON THAT?

"We had an excellent year in terms of all our key indicators. The number of our active customers continued to increase, exceeding 170,000. This is a significant achievement in a challenging operating environment.

"We mainly worked remotely throughout the year, but this had practically no impact, because our service model is primarily digital. Through our standard service channels, we responded to around 160,000 enquiries from customers. The average score given by customers for our service was 8.9, which is excellent, and I would like to thank our employees for their good work. Our customers are clearly satisfied with our way of doing business.

"Travel insurance sales, which practically stopped because of the coronavirus pandemic, have started to grow again. In motor insurance, the overall compensation situation has remained largely unchanged, because domestic travel has increased, while commuting has decreased. In service channels, the processing of customer service situations is increasingly being transferred from telephone to chat and the personal service channel.

"We started a new strategy period last year, and we are further clarifying our long-term goals. Our focus is on ensuring favourable conditions for growth through the continued development of our digital services. We are seeking to lead the way, although we are making choices critically, prioritising projects based on margins."

WHAT ARE YOUR MANAGEMENT PRIORITIES?

"The strategy must be clear and unambiguous, and we must be able to provide justification. This ensures that everyone in the organisation is moving in the same direction. Another priority is interaction with the Board of Directors to ensure that the foundation and framework for operations are known, and that the shareholders are involved.

"My approach involves systematic management, as well as ensuring that cooperation works in every area. In my opinion, it's important to listen to people to find out what is happening – or not happening – in day-to-day work, because employees are the best experts. Sufficient time and forums must be ensured for creating and maintaining an atmosphere of mutual trust and a culture of discussion. The coronavirus pandemic has posed new challenges for supervisory work, because there are fewer opportunities for natural encounters between people. I'm following experiences of various hybrid work models with great interest, as such models are very likely to become more common in the future.

"I also believe that success feeds success, and I would like to promote this culture on my part. This means the ability to succeed and the ability to receive positive feedback, as well as the permission to fail and learn."

POP BANK GROUP AND SOCIAL RESPONSIBILITY

Social responsibility in the POP Bank Group is based on cooperative values, local operations and longterm business operations. Responsibility is one of the four core values and it concerns every employee's day-to-day work and decisions. The POP Bank Group's responsibility work is guided by its responsibility programme, that is based on five themes of the Group's materiality analysis to its key stakeholders. With the selected themes, the Group ensures that the economical, social and governance aspects of the sustainable development are considered in its operations. The themes of the ESG (Environment, Social and Governance) program are:

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

In 2021, the POP Bank Group carried out a cross-analysis of the themes of its sustainability programmes and the goals of the UN's 2030 Agenda for Sustainable Development. The programmes share the following goals: quality education (UN Sustainable Development Goal 4), gender equality (5), the promotion of decent work and economic growth (8), reduced inequalities (10), the encouragement of climate action (13) and the promotion of peace, justice and strong institutions (16).

MANAGING AND DEVELOPING THE SOCIAL RESPONSIBILITY PROGRAM

The POP Bank Group's operations comply with current laws and regulations and the guidelines and orders issued by the authorities, as well as with the principles of good governance and the Group's own rules and binding internal guidelines. In its banking operations, the Group also complies with Good Banking Practice and the related trading guidelines, as well as with the amalgamation's internal guidelines. In its 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. The key management practices are defined in the POP Bank Group's management system guidelines. The POP Bank Group also expects its partners to comply with the legislation, official regulations and sector-specific good practices.

The operational management of matters related to responsibility has been integrated as part of normal day-to-day business. POP Bank Centre coop has its own ESG working group that monitors, for example, legislation and reporting related to responsibility and prepares guidelines and recommendations accordingly for the group.

SOCIAL RESPONSIBILITY REPORTING

In the POP Bank Group, matters concerning responsibility are discussed by the Executive Board and the Board of Directors. 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. The POP Bank Group reports on its responsibility work in accordance with the Global Reporting Initiative (GRI) guidelines. The GRI index will be published on the POP Bank Group's website as part of the Group's Annual Report.

For the 2021 financial year the POP Bank Group is publishing information about the proportion of taxonomy-eligible assets in relation to its total assets and the proportion of taxonomy-eligible financial activities in insurance in its Board of Directors' Report section, Non-financial information. In the POP Bank Group, preparations are in progress to ensure the timely and appropriate application of the disclosure requirements of Article 8 of the Taxonomy Regulation in future financial years.

PROMOTING SUSTAINABLE FINANCING AND INVESTING AND THEREBY MITIGATING CLIMATE CHANGE

The UN's Sustainable Development Goal for Climate Action include improving education, awareness-raising and enhancing human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning. The goal of the POP Bank Group is to reduce the risk caused by environmental impacts and climate change by providing customers with financing for investments that support climate change mitigation and adaptation, as well as by offering investment targets that support sustainable development and informing customers about related opportunities. The principles of responsible lending and investment strongly guide the decision-making of the POP Bank Group. Group member banks do not knowingly fund activities that are against the law or good manners.

RESPONSIBLE LENDING

Lending is reviewed in the POP Bank Group comprehensively, with the goal of establishing long-term customer relationships. Responsible lending is based on knowing the customer 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.

According to a survey carried out by IRO Research for the POP Bank Group in 2021, only 14 per cent of Finns take environmental impacts into account in all their purchases. 43 per cent of Finns feel that they need more information about the climate and environmental impacts of their purchases. Women (51%) and people aged 18–34 in particular would like to learn more about the impacts of their purchases on the environment.

According to a survey carried out by IRO Research for the POP Bank Group in 2021, some customers find it easy to make environmentally friendly choices, while others need more information for their decision-making. POP Bank utilised the results of the survey in its communication about its green loan product (Vihreä laina) for private customers, which was updated in the autumn of 2021. It also published three calculators, enabling anyone to assess the emission impacts related to the energy efficiency of housing, or of exchanging one's car, or of heating systems.

RESPONSBILE INVESTING

POP Bank Group pays attention that sustainable principles are implemented in all products offered to customers as well as in the Group's own investing activities. 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.

In providing investment advice, the POP Banks take account of sustainability risks through their product selections. Sustainable risk refers to an event, or circumstance related to the environment, society or governance, the occurrence of which could have an actual or potential adverse effect on the value of an investment. All our partners have signed the UN-supported Principles for Sustainable Investment (PRI). The POP Bank employees that offer investment advice to customers have also been actively participating in the ESG disclosure obligation trainings.

The POP Funds, that have the Morningstar sustainability rating, have the average score of 3.6 (3.6 on previous year) on a scale of 1 to 5. The Morningstar sustainability rating describes the sustainability of those companies included in the fund, in relation to the holdings of other funds in the same comparison category, as determined by Morningstar. An investment fund is issued with a sustainability rating, if at least 50 per cent of its assets are invested in companies for which Sustainanalytics has determined a company-specific ESG rating.

SUPPORTING LOCAL SUCCESS, VITALITY AND WELL-BEING

One of the targets under the UN Sustainable Development Goal concerning decent work and economic growth is supporting the capacity of domestic financial institutions to provide banking, insurance and financial services to all. This goal also includes promoting development-oriented practices to support productive activities and encouraging the establishment and growth of micro-enterprises and small and medium-sized enterprises.

The POP Banks are cooperative banks owned by their member customers. As defined by the International Cooperative Alliance, a cooperative is “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise”. Membership of a POP Bank 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. The POP Banks implement their owners’ intent, which is founded on the Group’s mission to promote its customers’ financial well-being and prosperity, as well as local success.

POP Bank has been granted the right to use the Key Flag Symbol by the Association for Finnish Work. The symbol signifies the provision of services and employment in Finland. The POP Bank Group had a total of 822 employees in 2021, and it paid EUR 6.6 million in taxes.

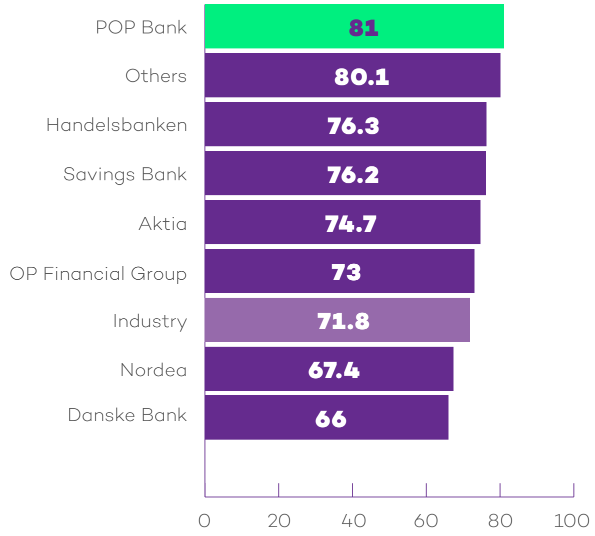
The concept of being local has changed with the increase in digital services. The concept was previously associated with physical location, but it increasingly means that the bank understands its customers’ operating environment and is easily accessible through various channels.

Close relation with the customer and service attitude are at the core of the POP Bank Group’s operations, and the development of the customer experience is actively measured using several methods. For example, the willingness to recommend banking and insurance services is monitored in the POP Bank Group with the NPS (Net Promoter Score) survey. Also for the development of the POP Mobiili, the mobile banking and insurance app of the POP Bank, the star rating given by the users as well as the feedback are closely reviewed. According to these ratings, POP Mobiili is one of the best banking applications in Finland.

Additionally, based on the Finnish bank industry report conducted by the independent research company EPSI Raring, POP Bank had the most satisfied private and business customers in 2021. This was the 10th time that the POP Bank had the most satisfied private customers, yet the first time that the bank participated the B2B survey. The common de-

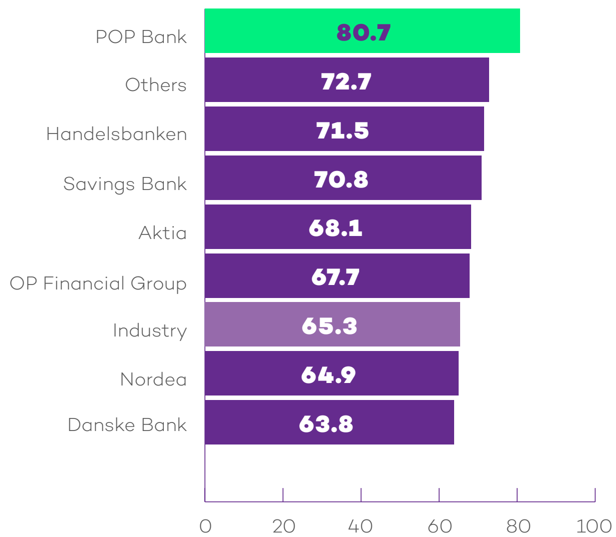
CUSTOMER SATISFACTION, COMPANIES

Source: EPSI Rating, 2021



CUSTOMER SATISFACTION, COMPANIES

Source: EPSI Rating, 2021



nominator of the feedback for the Group's banks was the success in creating a genuine relationship with the customers.

The POP Bank Group sees the UN Sustainable Development Goal concerning quality education as a key factor for general well-being. The Group therefore actively cooperates with educational institutions and organisations and participates in various lecture events. Although the coronavirus pandemic has reduced the number of physical events, POP Pankki Pohjanmaa, for example, has continued its POP Akatemia trainee programme to provide university students with multifaceted internship experiences in line with their areas of specialisation. In addition, software development students from the Suupohja Education Consortium (Vuoksi) implemented a project for POP Pankki Suupohja in spring 2021.

POP Banks have been doing many years co-operation with the different sports and cultural associations. Additionally the Group has also participated in various national campaigns to promote secure digital services. For example, it contributed to a guide published by Finance Finland in spring 2021. It was also involved in an anti-phishing campaign (Varo, Varmista ja Varoita - Be aware, Doublecheck and Warn others) organised by several operators.

GUOXI YU, HEAD OF INFORMATION SECURITY, POP BANK CENTRE COOP

WHAT DOES YOUR JOB INVOLVE?

"My job involves the management and development of information security at POP Bank, as well as increasing awareness of information security and processing incidents such as phishing attempts."

WHAT DOES THE YEAR 2021 LOOK LIKE FROM THE PERSPECTIVE OF THE HEAD OF INFORMATION SECURITY?

"Phishing activity was at a high level in 2021, and extensive attempts were targeted at the entire sector. The number of phishing websites multiplied from the previous year. The number of scam messages was also high. It's worth noticing how much the layout of phishing websites and the language used in scam messages have improved."

HOW CAN PHISHING BE AVOIDED?

"First of all, it's good to keep in mind that banks never email links to their online services. Search engine scams increased markedly last year, so it's always advisable to log in to online banking services through the POP Bank website or mobile app. When you use online banking services through a browser, always enter the address of the website directly into the address bar. Never use a search engine for logging in, because search results may lead to a scam website.

"If you have even the slightest reason to believe than an SMS or email message is suspicious, send it to us at turvallisuus@poppankki.fi for further scrutiny. I would like to thank everyone who reported their concerns this way last year.

"Current information about possible phishing attempts is available on our website and social media channels. I encourage everyone to follow these channels to avoid phishing attempts.

"POP Bank is involved in an anti-phishing campaign organised be several operators. Its goal is to provide information about phishing as a phenomenon, as well as tips on how to recognise phishing attempts."

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

Equality and the promotion of diversity and well-being at work within the POP Bank Group reflect the UN Sustainable Development Goals concerning gender equality, decent work and reduced inequalities. All employees and their capabilities are valued within the POP Bank Group. Everyone is treated respectfully, appropriately and fairly, and no one is discriminated against.

Diversity and individuality are respected in the workplace community. All employees are treated equally, regardless of gender, age, origin, convictions, health, sexual orientation or other personal characteristics. In the workplace community, equal treatment is reflected in day-to-day work, recruitment, remuneration and career development. Equal treatment is not limited to employees; it also concerns administration, partners and customers. Employees have an opportunity to discuss matters related to equality and non-discrimination with their supervisors, health and safety representatives or personnel representatives. 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.

The competence requirements for employees in the financial sector are high in the current environment, which is extensively regulated and highly digitalised. Competence has been supported through active internal communication and various kinds of general and topical training. For more than 10 years, the POP Banks have had their own competence and salary passport system as an aid in talent management

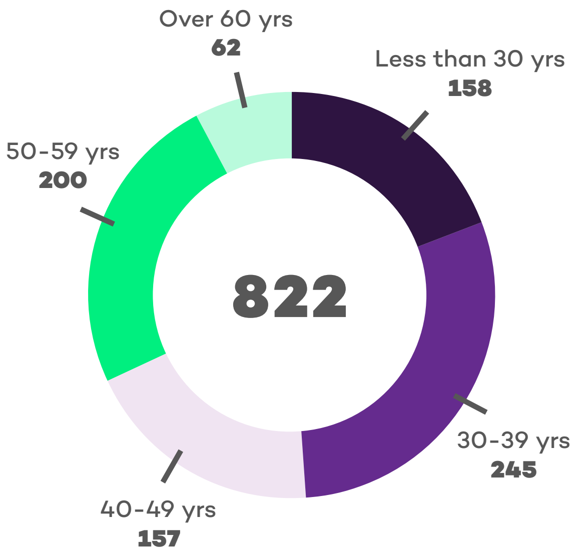
Employees' well-being is key in the provision of the POP Bank Group's daily services. The coronavirus situation was reflected in various ways in the Group's organisations in 2021. The POP Bank Centre coop, Bonum Bank and Finnish P&C Insurance followed the general remote working recommendations and provided employees with guidance and advice on the related practices. The banks followed all regional recommendations and made use of remote work opportunities as far as possible. In 2021, the POP Bank Group participated in the Responsible Employer programme in Finland for the second consecutive year. The programme provides a wide range of information about various themes related to organisational and work culture.

In 2021, the POP Bank Group employed a total of 822 people, compared to 785 the previous year. The gender distribution of the Group's personnel reflects the average in the female-dominated financial sector. Women represented 74.0 (74.1) per cent and men represented 26.0 (25.9) per cent of the Group's personnel. Permanent employment accounted for 91.6 (92.1) per cent for all employment.

POP BANK GROUP PERSONNEL 31 DECEMBER 2021

	year 2021	year 2020
Men	214	203
Women	608	582
Total	**822**	**785**
Of which permanent	753	723
Of which fixed-term	69	62

POP BANK GROUP PERSONNEL AGE DISTRIBUTION 31 DECEMBER 2021



ADDING A PERSONAL TOUCH

In 2021, nearly 40 per cent of POP Banks' managing directors were women. Kirsi Salo, the CEO of POP Bank Lakeus, has had a multifaceted career in banking, from workstation trainer to bank manager and member of the Board of Directors of Bonum Bank, the central credit institution of the POP Banks.

"My career in banking began in 1989, and my first permanent job was with Kyrönmaan Osuuspankki. The 1990s were characterised by matters related to collection, training and payment transactions. I started as a workstation trainer and became a contact person for payment transactions. I installed bank connection programs and taught customers to use them for paying their bills. I enjoyed the job and held it for a long time. Then I was informed that I would be transferred to collection, where my job involved preparing claim applications. In 2000, I transferred to accounting. Later, my job as administrative manager and director also involved HR, marketing and various background tasks.

"In 2007, I became Deputy CEO. Ten years later, I became the CEO. In 2018, I simultaneously served as the CEO of Bonum Bank, after which I continued as the CEO of my local bank. The bank merged in 2020, and I became the CEO of the new bank: POP Bank Lakeus.

"It had always been my dream to work at the centre, even for a short time, and this dream came true through the position at Bonum Bank. I have been very happy with this opportunity, because it has brought new perspective to my current job. Experiences of different perspectives have helped me to understand all parties.

HOW IS GENDER EQUALITY IMPLEMENTED AT POP BANK LAKEUS?

"Successfully, I would say. We have seven branches, two of which are under the same supervisor. Two of our branch managers are men, and the rest are women. At the management team level, we have a 50:50 ratio between men and women. Rather than emphasising gender, we have placed emphasis on the personal characteristics and expertise of people, and on their willingness to serve as a supervisor. Motivation plays an important part in succeeding as a supervisor, because the role is very demanding nowadays."

HOW DO YOU SEE YOUR ROLE AS A MANAGER IN PROMOTING GENDER EQUALITY?

"We have received a record number of applications for summer jobs this year, and the number of applications submitted by boys is smaller. This reflects the feminisation of the sector. Although it would be ideal to have representatives of all genders at each branch, we must also consider where employees wish to work and what expertise is needed in each location.

"At our bank, almost everyone starts in cashier operations to gain an understanding of how money moves and how society works. In my opinion, a job in banking provides young people with general knowledge and invaluable experience that is widely appreciated."

WHAT TYPE OF EXPERTISE DO YOU INVEST IN?

"The sector is undergoing a transition in this respect. At one point, the focus was on multiple skills in various fields, but now financing and saving are beginning to differentiate because of regulations, for example, with extensive competence requirements in specific fields. The corporate sector is a clear priority for us. Above all, however, I would say that recruitment is about personal characteristics, because you need to be a sociable person in this work. Everything else can be learned."

TRANSPARENT BUSINESS OPERATIONS

The POP Bank Group supports active and open communication. The guiding principle is to provide all stakeholders equal and simultaneous access to the information and that the information about the operations is correct and sufficient. The Group's communications is compliant with the Good Banking Practice and ensures that privacy of any party is not compromised.

The UN Sustainable Development Goal concerning peace, justice and strong institutions (SDG 16) is intertwined with two themes of the POP Bank Group's sustainability programme: the openness and transparency of business operations and the prevention of the shadow economy, corruption and money laundering. In the UN Sustainable Development Goal, 'strong institutions' refers to building efficient, transparent and responsible institutions. The POP Bank Group requires all its employees and members of its executive management and administration to be familiar with good governance guidelines and to comply with them.

Compliance with good governance is monitored by the Board of Directors of the central institution. 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.

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. The Executive Board of Finnish P&C Insurance has confirmed and regularly updates the guidelines concerning conflicts of interest and disqualification. No conflicts of interest concerning the Group were reported within the POP Bank Group during the year.

The POP Bank Group acts on the basis that all customers should be treated fairly and equally. The banks seek to know their customers and their backgrounds as thoroughly as the customer relationships require and so that the customers can be provided with the suitable products and services. Feedback and complaints from customers are also processed, as appropriate, in the Group, and the aim is to take these into account as effectively as possible when steering operations.

The POP Bank Group also expects its partners to comply with the legislation, official regulations and sector-specific good practices. When selecting partners, the Group seeks to ensure that the partner's values are consistent with the values of the POP Bank Group, and that the partner will not pose a significant reputation risk or impair the quality of services.

During 2021, addition to the several authorities, among the most significant external stakeholders were Finance Finland and Pellervo Coop Centre. Finance Finland promotes the development of fair and transparent regulations and guidelines in line with the principles of good governance in the financial sector in Finland, while Pellervo Coop Centre promotes cooperative operations as a business model and cooperatives as a competitive form of enterprise.

POP Bank Group's main business partners for its investment product selection are 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 summer 2021 POP Banks began new co-operation with Puro Finance Oy that is producing the new 'Laskuraha' service, providing funding against invoice receivables. Oy Samlink Ab serves as the

POP Banks' information system supplier and in risk reporting, we cooperate with ALM Partners Ltd. Our provider of financial management and statutory reporting services is Figure Financial Management Ltd, which POP Bank Group owns together Figure Financial's other customer banks.

PREVENTING CORRUPTION AND BRIBERY

The POP Bank Group support the UN's 16th Sustainable Development Goal – to pursuit peace, justice and good governance – with its zero tolerance towards bribery, corruption and other unethical means of influence.

The principles and guidelines for dealing with corruption and bribery, written in its management system, cover employees, the operational management and administrators. Their purpose is to identify and prevent any risks related to corruption, bribery and money laundering. Furthermore, they aim to prevent potential conflicts of interest by avoiding high-risk combinations of duties in operations through the separation of supervisory tasks related to operational and risk management, for example, at all organisational levels within the Group. The Board of Directors and the operational management monitor the implementation of the principles.

The operating model for risk management related to money laundering and other financial crime was systematically reinforced at the level of the amalgamation in 2021. For example, the central institution's binding guidelines on the prevention of money laundering and other financial crime have been revised, and the provision of information and education has been significantly increased. In addition, a project to acquire and implement a completely new AML monitoring system was carried out in banking.

POP BANK GROUP GRI CONTENT

GRI Standard	Disclosure	Page or URL	Explanation or comment
Page numbers are referring to POP Bank Group Annual Report 2021.			
Organizational profile			
102-1	Name of the organization		POP Bank Group
102-2	Activities, brands, products, and services		The POP Bank Group is a Finnish financial group that offers retail banking services for private customers, small and medium-sized enterprises, in addition to providing private customers with non-life insurance services.
102-3	Location of headquarters		POP Bank Centre coop, the central institution of POP Bank Group, has registered office is Helsinki. It's head office is in Espoo, Finland.
102-4	Location of operations		POP Bank Group's operations are focused on Finland.
102-5	Ownership and legal form	p. 24	POP Bank Group and amalgamation of POP Banks
102-6	Markets served	p. 9	POP Bank Grop's business segments
102-7	Scale of the organization	p. 6	POP Bank in brief
102-8	Information on employees and other workers	p. 6, 38-39	POP Bank in brief, Personnel and remuneration
102-10	Significant changes to the organization and its supply chain	p. 25, 37-38	Changes in POP Bank Group's structure, Administration of POP Bank Centre coop
102-13	Membership of associations	p. 19-20	Transparent business operations
Strategy			
102-14	Statement from senior decision-maker	p. 4-5	CEO's Review
102-15	Key impacts, risks, and opportunities	p. 25, 31-35, 43-44	Operating environment, POP Bank Group's risk and capital adequacy and risk position, Outlook for 2022
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	p. 6	POP Bank in brief
102-17	Mechanisms for advice and concerns about ethics	p. 19-20	Transparent business operations

Governance

102-18	Governance structure	p. 24, 37-38, 67-73	The POP Bank Group and amalgamation of POP Banks, Administration of POP Bank Centre coop, Note 3 Governance and management
102-19	Delegating authority	p. 67-73	Note 3 Governance and management
102-20	Executive-level responsibility for economic, environmental, and social topics	p. 12, 67-73	Social responsibility, Note 3 Governance and management
102-22	Composition of the highest governance body and its committees	p. 67-69	Note 3 Governance and management
102-23	Chair of the highest governance body	p. 37-38	Administration of POP Bank Centre coop
102-24	Nominating and selecting the highest governance body	p. 37-38, 67-69	Administration of POP Bank Centre coop, Note 3 Governance and management
102-25	Conflicts of interest	p. 19	Transparent business operations
102-26	Role of highest governance body in setting purpose, values, and strategy	p. 67-69	Note 3 Governance and management
102-29	Identifying and managing economic, environmental, and social impacts	p. 12, 67-73	Social responsibility, Note 3 Governance and management
102-30	Effectiveness of risk management processes	p. 69, 74-93	Note 3 Governance and management, Note 4 Risk management in the POP Bank Group
102-32	Highest governance body's role in sustainability reporting	p. 37-38, 67-69	Administration of POP Bank Centre coop, Note 3 Governance and management
102-33	Communicating critical concerns	p. 19	Transparent business operations
102-35	Remuneration policies	p. 38-39, 71-73	Personnel and remuneration, Note 3 Governance and management
102-36	Process for determining remuneration	p. 38-39, 71-73	Personnel and remuneration, Note 3 Governance and management

Stakeholder engagement

102-40	List of stakeholder groups	p. 19-20	Transparent business operations

Reporting practice

102-45	Entities included in the consolidated financial statements	p. 51-52, 142-143	Note 1 The POP Bank Group and the scope of IFRS financial statements, Note 37 Entities included in the POP Bank Group's Financial Statements
102-46	Defining report content and topic boundaries	p. 12	Social responsibility
102-47	List of material topics	p. 12-20	Social responsibility
102-50	Reporting period		Reporting period is 1 January - 31 December 2021
102-52	Reporting cycle		Financial year
102-53	Contact point for questions regarding the report		CEO Jaakko Pulli, POP Centre coop
102-54	Claims of reporting in accordance with the GRI Standards		The reporting complies with the Core level of the GRI Standards
102-55	GRI content index	p.21-22	GRI Content
102-56	External assurance		No external assurance

Management Approach

103-1	Explanation of the material topic and its Boundary	p. 12-20	Social responsibility
103-2	The management approach and its components	p. 12	Social responsibility

Economic Performance

201-1	Direct economic value generated and distributed	s. 6-8, 28	POP Bank in brief, POP Bank Group's earnings and balance sheet

Tax

207-4	Country-by-country reporting	p. 6	POP Bank in brief

Diversity and Equal Opportunity

405-1	Diversity of governance bodies and employees	p. 17	Social responsibility

POP BANK GROUP'S BOARD OF DIRECTORS' REPORT 1 JANUARY – 31 DECEMBER 2021

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, 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.

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:

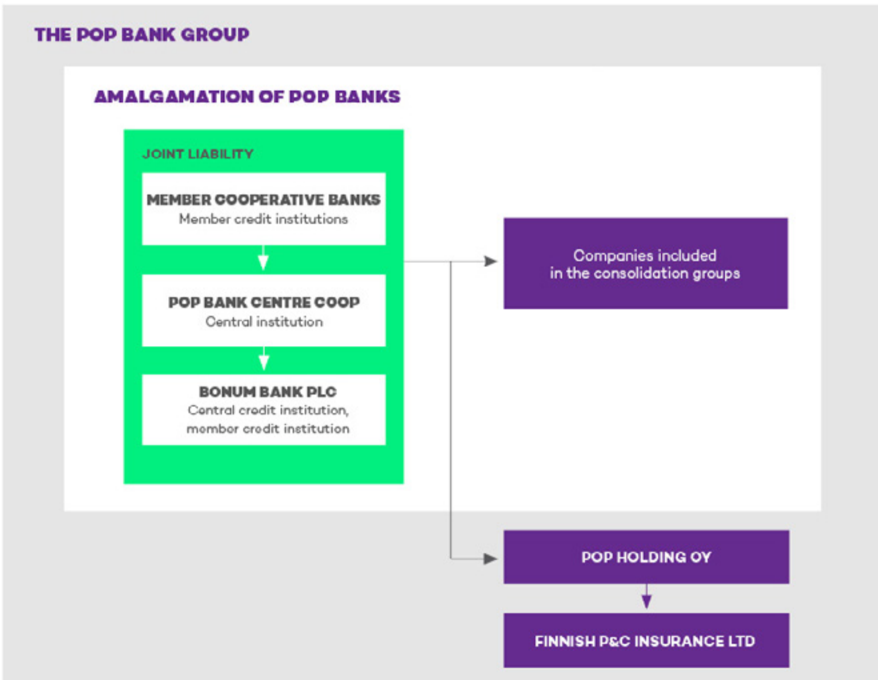
- 21 member cooperative banks of POP Bank Centre coop that use the marketing name POP Bank
- Bonum Bank Plc, which is the central credit institution of POP Banks and a subsidiary of POP Bank Centre coop
- Finnish P&C Insurance Ltd, which uses the auxiliary business name POP Insurance.

The POP Banks are cooperative banks owned by their member customers. 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.

POP BANK GROUP STRUCTURE



CHANGES IN POP BANK GROUP'S STRUCTURE

One merger was completed within the POP Bank Group during the financial period. At the end of February, Reisjärven Osuuspankki merged with Siilinjärven Osuuspankki and the name of the bank was changed to Järvi-Suomen Osuuspankki. The mergers will not have an impact on the POP Bank Group's financial statements. After the merger, the POP Bank Group consists of 21 cooperative banks.

In October, Liedon Osuuspankki and Suupohjan Osuuspankki announced their plan to merge Liedon Osuuspankki with Suupohjan Osuuspankki. In December, Piikkiön Osuuspankki also notified about their plan to merge with Suupohjan Osuuspankki. The merger is set to be registered in second quarter of 2022.

OPERATING ENVIRONMENT

The coronavirus pandemic and the new coronavirus variants, as well as the restrictive measures to control infections, continue to have significant impacts on the global economy. Economic recovery was achieved gradually after the shock impact of the steep fall in production in the previous year. This trend was significantly aided by the extensive economic support programmes started by governments in 2020, and by the European Central Bank's support measures to maintain banks' funding capacity.

The inflation rate increased rapidly during the second half of the year, due to higher energy prices in particular. If the rapid inflation trend is not temporary, it will increase future-related economic risks.

Measures to combat climate change are playing a continuously growing role in Finland and Europe. As a result of these measures, there are already signs of impacts that are causing costs to increase through emissions allowance price rises, for example. On the other hand, companies' transfer to more environmentally friendly operating models has furthered new investments and improved employment.

The eurozone economy, which is key for Finnish exports, recovered strongly during 2021. Although the infection situation continued to be challenging in Europe, in particular, economic activity and the rest of society have effectively adapted to the prolonged restrictions. Recovery has been hindered by global bottlenecks in production and deliveries. Logistical challenges have contributed to the rapid increase in inflation rates in Finland and the eurozone, and especially in the United States.

Finnish economic growth has been more moderate than in the eurozone in general, but the decrease in production in 2020 was also more moderate in Finland. While Finland's GDP decreased by 2.9 per cent in 2020, it grew by around 3.5 per cent in 2021, which means that the slump in total production caused by the coronavirus pandemic has been cancelled out. The growth was expected to continue in 2021, driven by exports and a higher employment rate, but the Omicron variant, which spread exponentially towards the end of the year, cast a shadow on the short-term economic outlook.

During the first year of the coronavirus pandemic, household consumption decreased substantially, following various restrictions on travel and the restaurant business, for example. The restrictive measures were reduced when the vaccination coverage increased and the infection situation began to ease, particularly in the summer and early autumn of 2021, but the positive trend turned out to be temporary. Tighter restrictions were imposed again when the infection situation worsened towards the end of the year.

Household savings increased to a record high in 2020. Consequently, consumers were able to make major investments in 2021. Interest rates remained low, which encouraged consumers to borrow. Households became particularly interested in building and renovating, which caused the building supplies market to overheat severely during 2021. Housing sales were also active, and the number of housing loans grew markedly. Housing prices continued to increase as well, especially in growth centres, but also somewhat in smaller towns. However, the price trend has been negative in many small localities.

Major waves of corporate bankruptcy have so far been avoided, and company outlooks have turned more positive, although their financial situations have developed differently in different sectors. In the tourism, hotel, catering and event sectors, there was distress for the second consecutive year. The grain harvest was modest in 2021, and farms continued to face challenges with profitability. The demand for timber and pulp continued to be strong, which supported an upturn in the forest industry.

BUSINESS DEVELOPMENT

BANKING OPERATIONS IS GROWING

The demand for housing loans and corporate loans was at a very high level despite the coronavirus pandemic. The POP Bank Group's loan portfolio increased by 9.7 per cent during 2021. A significant portion of the growth consisted of housing loans, but the proportion of corporate customers in the loan portfolio increased as well. In line with the Group's strategy, the member banks have focused on developing corporate finance. In the future, services for corporate customers will be complemented by the 'Laskuraha' service, which provides funding against invoice receivables. The service has been implemented in cooperation with Puro Finance.

The POP Banks' investment sales increased significantly in 2021. Subscriptions for investment products brokered by the banks grew by more than 60 per cent year-on-year. Customers have actively sought alternatives to traditional deposit accounts, with balanced funds clearly being among the most popular investments in 2021. During the year, the POP Banks expanded their offering with a new real estate fund in response to the increased demand for real estate investments.

IMPACT OF THE CORONAVIRUS PANDEMIC ON BUSINESS OPERATIONS

The capital markets have recovered well from the market disruption caused by the coronavirus pandemic, which has supported demand for savings products. The exceptional circumstances and the related restrictions on office transactions have further accelerated the transition from traditional face-to-face services to digital service channels – which saw a constant increase in the number of visitors during 2021. The coronavirus pandemic has not affected availability of the services provided by the non-life insurance company, which operates online. Its customer volumes and premium revenue have continued to grow. With travel decreasing, the pandemic has affected demand for travel insurance, however.

The POP Bank Group's credit risks have remained moderate, and, so far, the pandemic has had no significant impact on credit losses related to the POP Banks' private or corporate customers. The POP Bank Group's credit risks have remained moderate, However, the Group has prepared for this possibility by arranging an additional discretionary provision of EUR 3.0 (1.4) million. The Group's capital adequacy position has remained strong, and its risk position continues to be moderate.

DEVELOPMENT OF DIGITAL SERVICES

In line with its vision, the POP Bank Group has continued to develop its digital services. At the beginning of the summer, all POP Banks introduced POP 'Lainalupaus', an automated housing loan proposal service that provides customers with quick responses to their loan applications. POP Lainalupaus supports the previously implemented 'electronic housing sales' process, together with the DIAS housing sales platform.

In the autumn, the POP Bank Group updated its 'green loan' product, 'Vihreä laina', for environmentally friendly purchases. At the same time, an online service was developed that allows customers to assess the impact on CO_2 emissions of exchanging their car or heating system, or of improving the energy efficiency of their home.

The POP Bank Group's digital development is focused on mobile services. During the review period, POP Mobile's services were supplemented by, for example, electronic signatures and the Apple Pay contactless payment method.

During the year, the POP Banks further strengthened the electronic authentication processes in their services, in order to prevent various types of fraud attempts. Progress was made in a project to implement a new payment monitoring system to prevent money laundering and fraud. In the future, the anti-money laundering measures of the Group's banks will be implemented centrally by Bonum Bank, using the new system. These measures will ensure the effective prevention of money laundering and terrorist funding in present day circumstances and make the monitoring of asset transfers more efficient.

THE GROUP STRUCTURE IS TIGHTENING

One intra-Group bank merger was implemented in the POP Bank Group during the financial year. Consequently, the number of member cooperative banks is now 21. In addition, three banks announced their plan to merge during 2022. As well as supporting the Group's strategy, the mergers will reinforce the banks' ability to promote the development of local business activities.

In March, the POP Banks agreed on single-operator status. This provides the POP Bank Centre coop with steering power over the banks' business decisions, such as pricing, product selection and areas of operation. The decision clarifies the competitive position between the banks in the Group and will enable more efficient business development as a Group.

MORTGAGE BANK OPERATIONS

Preparations for starting mortgage banking are in progress in the POP Bank Group in order to further diversify its funding sources. The mortgage bank may issue covered mortgage-backed bonds. The Group is aiming to start its mortgage banking operations during 2022.

CORE SYSTEM REFORM

In June, the POP Bank Group and Oy Samlink Ab decided to terminate the agreement they had signed in 2019 on reform of the core banking system. As a result, Oy Samlink Ab paid compensation to the POP Bank Group for terminating the agreement. While termination of the agreement does not affect the banking services currently supplied to the POP Bank Group's customers, it did have a positive impact of EUR 25.7 million on the profit before tax.

After the end of the financial year, in January 2022, the POP Bank Group signed a cooperation agreement with Crosskey, a Finnish IT company, on its core banking system reform. The Group expects to implement the reformed core banking system during 2025.

CREDIT RATINGS

In January 2021 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 was changed from negative to stable. S&P confirmed Bonum Bank Plc's rating and outlook in August.

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 2021	1 Jan - 31 Dec 2020	1 Jan-31 Dec 2019
Net interes income	78,338	74,099	69,318
Net commissions and fees	36,326	31,049	30,013
Insurance income	13,192	11,611	10,913
Net investment income	10,028	1,298	15,588
Personnel expenses	-50,655	-43,531	-42,843
Other operating expenses	-55,464	-51,978	-47,927
Impairment losses on financial assets	-10,390	-7,468	-6,528
Profit before tax	44,670	12,919	26,150

Key balance sheet figures (EUR 1,000)	31 Dec 2021	31 Dec 2020	31 Dec 2019
Loan portfolio	4,243,829	3,868,147	3,635,488
Deposit portfolio	4,222,364	4,086,045	3,746,305
Insurance contract liabilities	52,692	43,915	38,606
Equity capital	552,809	517,242	508,435
Balance sheet total	5,357,697	5,098,398	4,535,557

Key ratios	31 Dec 2021	31 Dec 2020	31 Dec 2019
Cost to income ratio	68.8 %	83.6 %	75.1 %
Return on assets, ROA %	0.7 %	0.2 %	0.5 %
Return on equity, ROE %	6.9 %	2.2 %	4.3 %
Equity ratio, %	10.3 %	10.1 %	11.2 %
Common equity Tier 1 capital ratio, (CET1) %	19.2 %	19.9 %	19.8 %
Capital adequacy ratio, (TC) %	19.2 %	19.9 %	19.9 %

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2 of Financial Statements.

POP BANK GROUP'S EARNINGS PERFORMANCE

The POP Bank Group's profit before tax was EUR 44.7 (12.9) million, and profit for the financial year was EUR 37.1 (11.1) million.

The Group's net interest income increased by 5.7 per cent to EUR 78.3 (74.1) million. Interest income for the financial year amounted to EUR 83.9 (80.1) million, and interest expenses were EUR 5.5 (6.0) million. The development of interest income was effected by the growth of loan portfolio and especially the growth in the share of corporate lending. Net commissions and fees increased from previous year by 17.0 per cent to EUR 36.3 (31.0) million. Group's insurance income grew by 13.6 per cent to EUR 13.2 (11.6) million.

The growth of investment market supported the growth in Group's income. Net investment income was EUR 10.0 million, whereas on the comparison period, net investment income was only EUR 1.3 million.

Other operating income totalled EUR 38.4 (5.9) million. Other operating income includes EUR 31.7 million of non-recurring items. 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 176.2 (124.0) million.

Total operating expenses increased by 16.9 per cent to EUR 121.2 (103.7) million. Other operating income includes EUR 6.0 million non-recurring items related to termination of the system renewal project. The most significant growth was in personnel expenses, which totaled EUR 50.7 (43.5) million. Other operating expenses were EUR 55.5 (52.0) million. Depreciation, amortisation and impairment on property, plant and equipment and intangible assets was EUR 15.1 (8.1) million, which includes EUR 1.2 million impairment on properties in addition to impairment on the terminated system renewal project.

A total of EUR 10.4 (7.5) million was recognised in impairment on financial assets. Impairments of loans and advances to customers was 0.28 (0.15) per cent of the loan portfolio. Impairment losses include a net increase in expected losses (ECL) of EUR 2.3 (0.2) million and realised credit losses of EUR 8.0 (7.3) million.

POP BANK GROUP'S BALANCE SHEET

The POP Bank Group's assets totalled EUR 5,358.7 (5,098.4) million at the end of the period. The loan portfolio increased by 9.7 per cent during the financial year, amounting to EUR 4,243.8 (3,868.1) million. At the end of the financial year, the Group had deposits totalling EUR 4,222.4 (4,086.0) million.

The number of bonds in issue was EUR 284.9 (266.3) million at the end of the financial year. The Group's investment assets were 681.6 (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 552.8 (517.2) 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 67.1 (66.0) million. POP Banks paid EUR 1.1 (1.3) million in interest on cooperative capital for 2020. 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 56.9 (56.1) 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 2021, POP Bank Group had 256.3 (253.7) thousand banking customers. Of these, 85.3 (85.5) per cent are private customers, 8.9 (8.6) per cent are corporate customers, and 2.7 (2.8) per cent are in the agriculture and forestry sectors. 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's vision is to be Finland's leading bank in combining personal and digital services. The POP Banks use various indicators to monitor customer satisfaction. According to the independent EPSI Rating sector report in 2021, the POP Banks had the most satisfied private customers in Finland for the tenth consecutive time. Due to its increased focus on corporate customers, POP Bank participated in the EPSI Rating corporate customer survey for the first time in 2021. The results were similar to those for private customers: POP Bank also has the most satisfied corporate customers in Finland. POP

Bank's private customer satisfaction index was 81, compared with the sector average of 71.8. In the corporate customer survey, its customer satisfaction index was 80.7, whereas the sector average was 67.7. The ability to create new customer relationships was the POP Banks' key success factor in the surveys.

BANKING EARNINGS

Banking profit grew significantly from the previous year. Profit before tax was EUR 40.4 (10.8) million. Terminating the agreement on renewal of core banking platform had an effect of EUR 25.7 million to profit before tax. The cost-to-income ratio of banking operations was 66.2 (83.1) per cent.

Net interest income in banking operations increased by 5.6 per cent to EUR 77.7 (73.5) million, and net commissions and fees increased by 16.7 per cent to EUR 36.8 (31.6) million. Growth of commissions and fees was due to growth in lending volumes, growth in brokered investment products and changes in pricing of banking services. Net investment income amounted to EUR 8.5 (1.5) million. Other operating income totalled EUR 38.7 (5.8) million. Other operating income includes EUR 31.7 million of non-recurring items. Operating income totalled EUR 161.7 (112.4) million, representing an increase of 43.8 per cent year-on-year.

Operating expenses in banking operations grew by 17.8 per cent from EUR 94.2 million to EUR 110.9 million. Expenses growth was partly due to EUR 6.0 million non-recurring items related to terminating the renewal of core banking platform. Personnel expenses in banking operations were EUR 34.8 (30.7) million and other operating expenses EUR 64.6 (59.1) million. Depreciation and impairment losses on property, plant and equipment and intangible assets were EUR 11.6 (4.4) million.

Impairment losses on financial assets were recognised in expenses to the tune of EUR 10.4 (7.4) million. Impairment losses include a net increase of EUR 2.3 (0.1) million in expected losses, as well as EUR 8.0 (7.3) million in actual credit losses.

An additional provision of EUR 3.0 (1.4) million was made on the financial year based on management judgement. The provision is made in order to prepare for the potential negative impacts the lengthening Covid-19 pandemic may cause for credit risk development.

THE BANKING SEGMENT'S ASSETS AND LIABILITIES

The banking segment's assets totalled EUR 5,375.1 (5,113.5) million at the end of the financial period. The banking segment's loan portfolio increased by 9.7 per cent to EUR 4,245.7 (3,870.2) million. The loan portfolio grew in both the private and corporate customer segments. Deposits increased by 3.4 per cent, and the banking segment's deposits totalled EUR 4,227.8 (4,089.3) million at the end of the financial period.

INSURANCE

The insurance segment of POP Bank Group 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.

In 2021, Finnish P&C Insurance Ltd. gained an average of 3.6 (3.5) thousand new customers per month, and at the end of the financial period, the company had 171.6 (156.5) thousand customers. The on-going coronavirus pandemic hindered especially sales of travel insurances. 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 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

The operating expense ratio of insurance continued to improve as a result of cost optimization and growth in premium revenue. The loss ratio was improved year-on-year and it was also possibly effected by the slightly diminutive effect of corona pandemic on incurred losses.

Profit before tax for insurance was EUR 5.0 (2.4) million. Net insurance income grew by 13.6 per cent to EUR 13.2 (11.6) million. The loss ratio decreased by 1.9 percentage points from 73.1 to 71.2 per cent. The operating expense ratio of the company was 21.3 (21.9) per cent, and the consolidated cost ratio was 92.5 (95.0) per cent[1].

In 2021, Finnish P&C Insurance Ltd sold a total of 127.9 (126,2) thousand new insurance agreements. Premiums written totalled EUR 48.0 (46.0) million, of which 80.6 (81.4) 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 19.4 (18.6) per cent of the premiums written. Insurance premium revenue increased by 6.1 per cent to EUR 45.8 (43.1) million.

Claims incurred decreased slightly from the previous year and totalled EUR 32.6 (31.5) million. These consisted of EUR 27.7 (28.8) million in claims paid, EUR 7.1 (7.6) million in changes in provisions for unpaid claims, less EUR -1.3 (-4.1) million in increases in provisions for unpaid claims ceded to reinsurers. During the financial period, four losses exceeded the retention limits of reinsurance and one loss was claimed for payment. Reinsurance provisions for a total of 11 losses were made to technical provisions at the end of the year.

Personnel expenses in insurance operations were EUR 7.8 (6.9) million. Other operating expenses decreased to EUR 0.7 (1.1) million. Depreciation and impairment amounted to EUR 2.1 (2.0) million. Operating expenses totalled EUR 10.6 (10.0) million.

INSURANCE SEGMENT'S ASSETS AND LIABILITIES

The assets of the insurance segment totalled EUR 97.2 (80.7) million at the end of the financial period. The liabilities of the insurance segment totalled EUR 71.7 (57.7) million. Insurance liabilities grew by 20.0 per cent to EUR 52.7 (43.9) million. The liabilities of the insurance segment totalled EUR 60.8 (49.2) 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.

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.

[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).

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 updated Capital Requirements Regulation (EU 2019/876) 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.

Due to the change in the definition of default from the beginning of 2021, exposures in ECL stage 3 were smaller than in previous financial year EUR 98.4 (122.9) million. However, expected credit losses in ECL stage 3 grew to EUR 27.6 (25.8) million. Non-performing receivables totalled 138.6 (118.9) million, of which 98.4 (118.5) were held on ECL stage 3 and 37.9 (0.2) million were held on ECL stage 2.

The possible lengthening of Covid-19 pandemic and it's possible negative effect on loan base and investment portfolio has been taken into consideration by making an additional loan loss provision of EUR 3.0 (1.4) million based on management judgement. The amount of expected credit losses (ECL) for loans, receivables and investment portfolios increased ending up at EUR 38,6 (36,3) million. Final credit losses incurred during the financial year were EUR 8.0 (7.3) million, of which digital consumer credit represented EUR 3.0 (2.8) million.

The amalgamation's loan portfolio grew by 9.7 per cent amounting EUR 4 243.8 (3 868.1) million at the end of the accounting period. Industry and customer risks are well diversified. Loans granted to private customers accounted for 65.4 (66.4) per cent, to companies 20.4 (18.5) per cent and to agricultural entrepreneurs 14.2 (15.1) 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 64.0 (64.6) 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 141.3 (191.4) per cent on 31 December 2021 with the requirement being 100 per cent. On 31 December 2021, the amalgamation's LCR-eligible assets before haircuts totalled EUR 457.9 (621.9) million, of which 61.1 (63.0) per cent were cash and balance at the central bank and 32.2 (32.4) per cent were highly liquid Tier 1 securities. In addition, outside the amalgamation's LCR portfolio unencumbered securities totalled to EUR 28.0 (71.1). The central credit institution Bonum Bank Plc manages the liquidity coverage requirement (LCR) of the amalgamation.

The requirement for stable funding, NSFR, became binding in 2021 (28 June 2021) as part of CRR II

Regulation 2019/876, which reformed Capital Requirement Regulation 575/2013 of the European Parliament and of the Council. The minimum requirement is 100 perc ent. NSFR measures the maturity mismatch of assets and liabilities on the balance sheet and is responsible for ensuring that ongoing funding is sufficient to meet funding needs over a one-year period, thus preventing over-reliance on short-term wholesale funding. The consortium's NSFR ratio on 31 December 2021 was 130.0 per cent.

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 3,3 per cent during the reporting period. End of reporting period Bonum Bank Plc has EUR 255 million (225) outstanding unsecured senior notes from EUR 750 million bond programme and EUR 30.0 (41.5) million from the investment certificate program, respectively. In addition, Bonum Bank Plc has a EUR 28.6 million loan program with the Nordic Investment Bank (NIB). During the financial year, Bonum Bank Plc participated in the European Central Bank's TLTRO III financing operation for EUR 78.4 million. At the end of the financial year, Bonum Bank had TLTRO III financing totaling EUR 128.4 (50.0) million.

POP Bank Centre coop, the central institution of POP Banks' Amalgamation, applies a permission granted 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.

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 +12,7 (+13,1) / -6,0 (-9,7) million on 31 December 2021. 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 regular scanning of operative risk portfolio, continuous personnel competence development, comprehensive operating instructions as well as internal control measures, such as by segregating preparation, decision-making, implementation and control from each other, whenever possible.

The Financial Supervisory Authority imposed a penalty payment of EUR 680 thousand on POP Bank Centre coop and a public warning for breaches of the obligation to control and supervise the operational risks of the amalgamation. The findings were based on an inspection conducted by the Financial Supervisory Authority in April 2019. POP Bank Centre coop had started significant improvement actions prior the inspection and increased resources in risk management as well as developed the procedures of controlling operational risks.

The member credit institutions report annually to the compliance function on the operational risks related to their own operations through self-assessments. In addition to this, the member credit institutions maintain a register on their materialised operational risks and near misses, which is to be delivered to the central institution upon request. 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 operations, including 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.

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 on-going coronavirus pandemic has changed the operating environment in many respects. In insurance operations, the pandemic is reflected especially in the number of losses in personal insurances and the size of 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.

Although the company's investment assets mainly consist of euro-denominated fixed income investments, the company also has moderate equity, real estate and currency exposures. As the maturity of fixed income investments is low, at 2.1 years, the interest rate risk is also moderate. The company has outsourced the execution of investment activities to asset managers

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 28 April 2021 the Financial Stability Authority updated the decision on the minimum requirement of own funds and eligible liabilities (MREL) related to the resolution plan of the amalgamation of POP Banks. The new MREL requirement is 19.39 per cent of the total risk exposure amount or 5.91 per cent of the total leverage ratio exposure amount. The new requirement took effect on 1 January 2022. The requirement has been covered with own funds and unsecured senior bonds.

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 19.2 (19.9) per cent and CET1 capital ratio 19.2 (19.9) per cent. The amalgamation does not include the profit for the financial year in own funds. The amalgamation's own funds of EUR 529.7 (513.0) 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 56.9 (56.1) million.

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

At least 4.5 percentage points of the Capital Requirements Regulation minimum requirement must be covered by Common Equity Tier 1 (CET1) capital. All additional capital requirements must be fully covered with CET1 Capital. FIN-FSA released the systemic risk buffer capital requirement on 6 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.

CRR II Regulation 2019/876, reforming the Solvency Regulation 575/2013 of the European Parliament and of the Council, has been applied since 28 June 2021. Under the new regulations, the own fund requirement for SME exposures decreased and fund investments were taken into account by risk-weighting all the underlying assets of the funds as if they were direct liabilities of the amalgamation or alternatively applied a higher risk weight.

The leverage ratio requirement became binding in June as part of the amendment to the EU Capital Requirements Regulation (CRR II). The minimum level of regulation is 3 per cent. The amalgamation's leverage ratio on 31 December 2021 was 9.7 per cent.

Defaulted receivables are reported in accordance with the definition of default as laid down in Article 178 of the EU Capital Requirements Regulation 575/2013 beginning 1 January 2021. The change increased the amount of defaulted receivables thus having a decreasing effect on the amalgamation's capital adequacy ratio.

SUMMARY OF CAPITAL ADEQUACY

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Own funds		
Common Equity Tier 1 capital before deductions	541,450	536,352
Deductions from Common Equity Tier 1 capital	-11,717	-23,306
Total Common Equity Tier 1 capital (CET1)	**529,733**	**513,046**
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**529,733**	**513,046**
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**-**	**-**
Total capital (TC = T1 + T2)	**529,733**	**513,046**
Total risk weighted assets	**2,766,096**	**2,578,449**
of which credit risk	2,521,248	2,349,874
of which credit valutaion adjustment risk (CVA)	-	-
of which market risk (foreign exchange risk)	20,202	20,858
of which operational risk	224,646	207,717

(EUR 1,000)	31 Dec 2021	31 Dec 2020
CET1 Capital ratio (CET1-%)	**19.2 %**	**19.9 %**
T1 Capital ratio (T1-%)	**19.2 %**	**19.9 %**
Total capital ratio (TC-%)	**19.2 %**	**19.9 %**
Capital Requirement		
Total capital	529,733	513,046
Capital requirement *	325,162	302,968
Capital buffer	204,570	210,031
Leverage ratio		
Tier 1 capital (T1)	529,733	513,046
Leverage ratio exposure	5,445,616	5,146,910
Leverage ratio, %	9.7 %	10.0 %

* 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 21 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 Centre coop.

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 2021, the Supervisory Board consisted the total of twenty-two (22) 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 until 26 November 2021 was Hannu Saarimäki (Chairman of the Board of Keuruun Osuuspankki) and the Vice Chairman until 26 November 2021 was Harri Takala (Chairman of the Board of Pohjanmaan Osuuspankki). As of 26 November 2021 the Chairman of the Supervisory Board is Harri Takala and the Vice Chairman is Hannu Saarimäki. As a result from mergers within the Group, the number of members was 21 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.

During year 2021, the Board of Directors met in total 31 times and the Supervisory Board 8 times.

The following persons acted as members of the Board of Directors of POP Bank Centre coop:

Timo Kalliomäki
Managing Director, Suupohjan Osuuspankki
Member of the Board
Chairman as of 27 September 2021

Ari Heikkilä
Senior Advisor, Konneveden Osuuspankki
Member of the Board
Vice Chairman as of 27 September 2021

Petri Jaakkola
Deputy Managing Director, Lakeuden Osuuspankki
Member of the Board until 27 September 2021

Ilkka Lähteenmäki
Research Fellow, Aalto University, Oulu University, Hanken School of Economics
Member of the Board

Mika Mäenpää
Managing Director, Lavian Osuuspankki
Member of the Board as of 27 September 2021

Juha Niemelä
Managing Director, Liedon Osuuspankki
Member of the Board until 27 September 2021
Chairman until 27 September 2021

Marja Pajulahti
Managing Director, Live Foundation
Member of the Board

Soile Pusa
Managing Director, Siilinjärven Osuuspankki
Member of the Board until 16 February 2021
Vice Chairman until 16 February 2021

Mikko Seppänen
Managing Director, Lammin Osuuspankki
Member of the Board as of 27 September 2021

Matti Vainionpää
Master of Laws
Member of the Board as of 22 September 2021

As of 27 September 2021 the Acting CEO of POP Bank Centre coop is **Jaakko Pulli**. Until 27 September 2021 the CEO of POP Bank Centre coop was Pekka Lemettinen and CEO's deputy was 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 2021, the POP Bank Group had 822 (785) employees, of whom 604 (580) in banking, 124 (115) in non-life insurance and 94 (90) in other functions.

REMUNERATION

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

Remuneration is divided into fixed and variable remuneration. Fixed remuneration refers to salaries tied to a specific period of time and variable remuneration refers to remuneration tied to the beneficiary's performance or financial factors. The variable remuneration includes both short- and long-term remuneration. In short-term remuneration, the earning period is the calendar year and the reward is paid in cash. In long-term remuneration, the earning period is 3-5 years.

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.

NON-FINANCIAL INFORMATION

The POP Bank Group is a Finnish financial group that offers retail banking services for private customers, small and medium-sized enterprises, 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. Social responsibility in the POP Bank Group is based on cooperative values, local operations and long-term business operations.

The POP Bank Group comprises of 21 member banks and POP Bank Centre coop, and the entities under their control. The POP Bank Group's business operations are divided into two segments that are Banking and Insurance.

The POP Bank Group's operations comply with current laws and regulations and the guidelines and orders issued by the authorities, as well as with the principles of good governance and the Group's own rules and binding internal guidelines. In its banking operations, the Group also complies with Good Banking Practice and the related trading guidelines, as well as with the amalgamation's internal guidelines. In its 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. The key management practices are defined in the POP Bank Group's management system guidelines.

The POP Bank Group also expects its subsidiaries to comply with the legislation, official regulations and sector-specific good practices. When selecting partners, the Group seeks to ensure that the partner's values are consistent with the values of the POP Bank Group, and that the partner will not pose a significant reputation risk or impair the quality of services. The Group treats any information that is classified as a business secret and has been received through partners as strictly confidential. It also expects the same from its partners.

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

The POP Bank Group's responsibility work is guided by its responsibility programme. 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

The POP Bank Group will publish its sustainability report for 2021 as part of its annual report. The Group's reporting complies with the Global Reporting Initiative (GRI) framework. In the estimate of the POP Bank Group, its operations have not involved any risks directly related to the environment, social responsibility or human rights that would have had a significant impact on its operations.

ENVIRONMENTAL RESPONSIBILITY

The key environmental impacts of the POP Bank Group's own business operations are related to the funding of customers' investments and other operations, as well as to the Group's own investment activities and the provision of investment products to customers. The POP Bank Group aims to reduce the risks caused by environmental impacts and climate change by providing funding to its customers for investments that support the mitigation of, and adjustment to, climate change, as well as by offering investments that support sustainable development, and by informing customers about the related opportunities. The POP Bank Group has actively monitored the development of the EU sustainable finance framework, and has adjusted its services, processes, reporting and guidelines in accordance with the changes to regulations related to sustainable funding that will enter into force in 2022.

In the organisation of the POP Bank Group's investment activities, the implementation of sustainability principles is taken into account in all products offered to customers and in the Group's own investment activities. In providing investment advice, the POP Banks take account of sustainability risks through their product selections. All our partners have signed the UN-supported Principles for Sustainable Investment (PRI). The POP Bank employees that offer investment advice to customers have been provided with opportunities for training related to the ESG disclosure obligation, and the banks have actively used this opportunity. Most POP Funds have a sustainability rating. The average sustainability rating is 3.6 (3.6) on a scale of 1 to 5 for the POP Funds that have a Morningstar sustainability rating. The Morningstar sustainability rating describes the sustainability of those companies included in the fund, in relation to the holdings of other funds in the same comparison category, as determined by Morningstar. An investment fund is issued with a sustainability rating, if at least 50 per cent of its assets are invested in companies for which Sustainanalytics has determined a company-specific ESG rating.

According to a survey carried out by IRO Research for the POP Bank Group in 2021, some customers find it easy to make environmentally friendly choices, while others need more information for their decision-making. POP Bank utilised the results of the survey in its communication about its green loan product (Vihreä laina) for private customers, which was updated in the autumn of 2021. It also published three calculators, enabling anyone to assess the emission impacts related to the energy efficiency of housing, or of exchanging one's car, or of heating systems.

SUPPORTING VITALITY AND WELL-BEING, AND SOCIAL RESPONSIBILITY

For decades, the POP Banks – in their role as taxpayers and as lenders to businesses that employ people – have supported and developed regional well-being. The POP Banks have also cooperated actively with educational institutions and non-profit organisations, as well as with cultural associations and sports clubs, to support general well-being for people of all ages.

The POP Bank Group acts on the basis that all customers should be treated fairly and equally. The banks seek to know their customers and their backgrounds as thoroughly as the customer relationships require. The Group's member banks do not knowingly provide funding for operations that violate the law or good practice.

In the POP Bank Group, lending to customers is examined comprehensively, with the goal of establishing long-term relationships. In its lending, the POP Bank Group operates responsibly and transparently, taking into account the customer's interests when marketing loans and concluding loan agreements. The customer is provided with sufficient and clear information about the credit and its terms and conditions well in advance of entering into an agreement. Such information, and the terms and conditions, are then reviewed carefully together with the customer when finalising the agreement. If repayment delays occur, the customer is provided with advice on how to deal with insolvency situations, and a responsible approach is applied to the arrangements made. In the event of payment difficulties, the POP Banks seek to respond as early as possible and to remedy the situation sustainably.

Feedback and complaints from customers are also processed, as appropriate, in the Group, and the aim is to take these into account as effectively as possible when steering operations. For example, the POP Bank Group continuously monitors feedback from app stores on its mobile services, and it also systematically measures customers' willingness to recommend its banking and insurance services, which is done by means of the Net Promoter Score (NPS). The Group also uses sector-specific EPSI Rating surveys in overall assessments of the development of its banking operations. According to the EPSI Rating report for 2021, POP Bank has the most satisfied private and corporate customers in both Finland and the Nordic countries.

The POP Banks revamped their websites in 2021, with the goal of improving accessibility for various customer groups and further developing data protection. The accessibility of customer materials has also been improved.

At the national level, the POP Bank Group participated in preparing Finance Finland's guidelines for all operators that offer advice on digital services. The guidelines were introduced in 2021. The Group also participated in the 'Varo, Varmista ja Varoita' information security campaign to prevent phishing.

PERSONNEL

The POP Bank Group respects the diverse nature of workplaces and the individual characteristics of people. All employees are treated equally, regardless of gender, age, origin, convictions, health, sexual orientation or other personal characteristics. In the workplace community, equal treatment is reflected in day-to-day work, recruitment, remuneration and career development.

The POP Bank Group measures employee satisfaction annually. If necessary, the POP Bank Group's employees have opportunities to discuss matters related to equality and non-discrimination with their supervisors, health and safety representatives or personnel representatives. For more than 10 years, the POP Banks have had their own competence and salary passport system as an aid in talent management. Competence has been supported through active internal communication and various kinds of general and expert-level training.

Employees' well-being is key in the provision of the POP Bank Group's daily services. The coronavirus situation was reflected in various ways in the Group's organisations in 2021. The POP Bank Centre coop, Bonum Bank and Finnish P&C Insurance followed the general remote working recommendations and provided employees with guidance and advice on the related practices. The banks followed all regional recommendations and made use of remote work opportunities as far as possible.

In 2021, the POP Bank Group participated in the Responsible Employer programme in Finland for the second consecutive year. The programme provides a wide range of information about various themes related to organisational and work culture.

RESPONSIBILITY FOR HUMAN RIGHTS

The POP Bank Group respects international human rights conventions and prevents discrimination in its operations. The Group expects its partners to operate in accordance with the same principles. The POP Group estimates that the direct human rights risks and impacts related to its own operations are low. However, there may be indirect impacts related to the operations of the recipients of investment and funding. To prevent this, the POP Bank Group's internal guidelines prohibit making investments in, or providing funding for, any operations that violate human rights.

PREVENTING CORRUPTION AND BRIBERY

The POP Bank Group has zero tolerance towards bribery, corruption and other unethical means of influence. The principles and guidelines for dealing with corruption and bribery, written in its management system, cover employees, the operational management and administrators. Their purpose is to identify and prevent any risks related to corruption, bribery and money laundering. Furthermore, they aim to prevent potential conflicts of interest by avoiding high-risk combinations of duties in operations through the separation of supervisory tasks related to operational and risk management, for example, at all organisational levels within the Group.

All the operators within the Group are responsible for complying with these principles and reporting any conduct that breaches them. The Board of Directors and the operational management monitor the implementation of the principles. Any indications of bribery or corruption are addressed, regardless of the position of the person in question. All cases are processed confidentially, protecting the rights of both suspect and informant. The Board of Directors decides on corrective measures.

The operating model for risk management related to money laundering and other financial crime was systematically reinforced at the level of the amalgamation in 2021. For example, the central institution's binding guidelines on the prevention of money laundering and other financial crime have been revised, and the provision of information and education has been significantly increased. In addition, a project to acquire and implement a completely new AML monitoring system was carried out in banking. No violations or legal proceedings related to bribery or corruption concerning the Group were reported within the POP Bank Group during the year.

DISCLOSURES IN ACCORDANCE WITH THE TAXONOMY REGULATION

The POP Bank Group complies with Regulation (EU) 2020/852 (Taxonomy Regulation) in its daily business operations, and has started preparations for compliance in the product design process. The EU taxonomy is a classification system that defines environmentally sustainable economic activities. In the POP Bank Group, preparations are in progress to ensure the timely and appropriate application of the disclosure requirements of Article 8 of the Taxonomy Regulation in future financial years. For the 2021 financial year, the POP Bank Group is publishing information about the proportion of taxonomy-eligible assets in relation to its total assets and the proportion of taxonomy-eligible financial activities in insurance.

The determination of taxonomy-eligible assets involves uncertainty, since no up-to-date information about some taxonomy-eligible assets was available at the time of reporting. The analysis on the total amount of taxonomy-eligible assets is based on assessment performed by management using information POP Bank Group has on counterparties, collaterals received and contracts.

At the end of the financial year, the POP Bank Group's taxonomy-eligible assets represented 34.4 per cent of its total assets. Its non-taxonomy-eligible assets accounted for 29.7 per cent of its total assets. Receivables from governments and central banks represented 8.7 per cent of the POP Bank Group's total assets. On the balance sheet date, the POP Bank Group did not have any receivables from multinational issuers, nor did it have any derivatives.

At the time of reporting, the POP Bank Group's exposures to companies with no obligation to disclose non-financial information under Article 19a or Article 29a of Directive 2013/34/EU (non-NFRD) represented 24.3 per cent of the Group's total assets. The EU regulation on reporting on environmentally sustainable economic activities does not, for the present, apply to corporate customers of POP Bank Group. The assets to be reported consist of the POP Bank Group's direct investments and loans granted to corporate customers. The amount of interbank loans repayable on demand was 0.6 per cent of total assets.

In insurance operations, the proportion of taxonomy-eligible economic activities was 96.4 per cent of the premiums written. The proportion of non-taxonomy-eligible activities was 3.6 per cent of the premiums written. Taxonomy-eligible proportion includes premiums written for insurance services based on information on insurance category of the insurance contract. Taxonomy eligible premiums written include i.a. insurances for motor vehicles as well as insurances for fire and other property loss.

According to the results of an assessment of the taxonomy eligibility of the loan portfolio on 31 December 2021, the most significant criteria were the granting of loans to private or corporate customers, as well as product information about the loan and information about its purpose of use. Only housing loans, as well as loans granted for renovating homes and improving their energy efficiency, were included in the taxonomy-eligible loan portfolio. All of the Group's corporate lending was classified as non-NFRD based on customer records and bank's own judgement. Assessment of taxonomy eligibility of the Group's investments has been based on

NACE codes derived from counterparties' industry code, information on listing of the security and the amount of personnel according to the latest financial statements. The analysis of the NACE codes has included both climate change preventing and adjusting classifications. The analysis of loan portfolio and investments have been conducted in a manner that the risk of overlapping information is minor.

EVENTS AFTER THE CLOSING DATE

In January 2022, the POP Bank Group signed a cooperation agreement with Crosskey, a Finnish IT company, on the renewal of its core banking system. POP Bank expects to introduce the new core banking system during 2025. The cooperation agreement has no immediate impact on the banking services provided by the POP Banks.

S&P Global Ratings has affirmed 4 February 2022 Bonum Bank Plc's long-term counterparty credit rating 'BBB' and short term credit rating 'A-2'. The outlook remains 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 2022

The economic performance of the operating environment has a key impact on the POP Bank Group's operations. Monetary policy stimulus played a significant role in the early stages of the coronavirus pandemic, and extensive bankruptcy waves were avoided. The ECB has supported the eurozone economy by keeping its key interest rates low, among other measures. However, the reduction of its purchase programmes, for example, indicates a change in direction. The inflation rate has started to increase globally, but the ECB is not expected start interest rate hikes prematurely. Short-term interest rates are expected to remain negative in 2022. This contributes to supporting the situation of companies and households.

Despite the prolonged coronavirus pandemic, the Finnish economy and the eurozone economies have recovered well, and the development of employment, among other aspects, has been positive. Although the pandemic continues, many sectors have learned to operate flexibly with the restrictions, and total production has already exceeded the pre-pandemic level. In addition, the probability of extensive lockdown measures that are particularly harmful for the economy is decreasing in the eurozone, because high vaccination coverage has reduced mortality.

The emergence of new and more infectious variants has protracted the pandemic, although vaccines have proven be effective in mitigating the more serious forms of the disease. Globally, the pandemic may bring negative surprises that will also be reflected in Finland. In terms of logistics and supply chains, the situation has not yet normalised globally, meaning that demand inflation is high and production chains are vulnerable. An intensified coronavirus pandemic situation, particularly in China, may interfere with production around the world.

The operating environment continues to be challenging. The impact of global development trends in particular on the Finnish economy is difficult to predict. The risk of unfavourable changes in the capital and financial markets in the eurozone has also increased.

In line with its strategy, the POP Bank Group is focusing on growth, especially in corporate finance. The Group's business operations are expected to develop favourably in 2022, but the core banking system reform, which started at the beginning of the year, is expected to cause additional costs until the new system becomes operational. As no significant non-recurring income items are expected to be recognised for 2022, as opposed to 2021, the profit for the financial year will be lower than in 2021.

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

NON-PERFORMING EXPOSURE
Non-performing exposure consists of receivables over 90 days in arrears as well as other receivables with uncertainty in payments caused by customer's financial difficulties (e.g. non performing forbearance). Non-performing exposure includes all receivables classified in ECL stage 3, also the ones that have not been over 90 days in arrears.

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), %

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

NET STABLE FUNDING RATIO (NSFR), %

$$\frac{\text{Stable funding}}{\text{Required amount of stable funding}} \times 100$$

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, %

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

CONSOLIDATED COST RATIO, %

Loss ratio + Operating expense ratio x 100

POP BANK GROUP FINANCIAL STATEMENTS 31 DECEMBER 2021 (IFRS)

POP BANK GROUP'S INCOME STATEMENT

(EUR 1,000)	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Interest income		83,879	80,090
Interest expenses		-5,541	-5,991
Net interest income	6	**78,338**	**74,099**
Net commissions and fees	7	36,326	31,049
Net investment income	8	10,028	1,298
Insurance income	9	13,192	11,611
Other operating income	10	38,360	5,902
Total operating income		**176,243**	**123,959**
Personnel expenses	11	-50,655	-43,531
Other operating expenses	12	-55,464	-51,978
Depreciation and amortisation	13	-15,083	-8,141
Total operating expenses		**-121,203**	**-103,650**
Impairment losses on financial assets	18	-10,390	-7,468
Associate´s share of profits	22	19	78
Profit before tax		**44,670**	**12,919**
Income tax expense	14	-7,565	-1,817
Profit for the financial period		**37,105**	**11,101**
Attributable to			
Equity owners of the POP Bank Group		37,110	11,087
Non-controlling interests		-5	15
Total		**37,105**	**11,101**

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2.

POP BANK GROUP'S STATEMENT OF OTHER COMPREHENSIVE INCOME

(EUR 1,000)	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Profit for the financial period		**37,105**	**11,101**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	35	-353	-564
Net changes in fair value for equity instruments at FVOCI	32	152	992
Items that may be reclassified to profit or loss			
Movement in fair value reserve for liability instruments at FVOCI	32	-1,018	152
Total other comprehensive income for the financial period		**35,885**	**11,681**
Attributable to			
Owners of the POP Bank Group		35,890	11,666
Non-controlling interests		-5	15
Total other comprehensive income for the financial period		**35,885**	**11,681**

POP BANK GROUP'S BALANCE SHEET

(EUR 1,000)	Note	31 Dec 2021	31 Dec 2020
Assets			
Liquid assets	19	279,882	391,544
Loans and advances to credit institutions	16,20	73,897	64,166
Loans and advances to customers	16,20	4,243,829	3,868,147
Investment assets	16,21	681,552	688,871
Investments in associates	22	214	195
Intangible assets	23	9,298	15,196
Property, plant and equipment	24	29,611	32,138
Other assets	25	34,014	32,816
Tax assets	26	5,401	5,326
Total assets		**5,357,697**	**5,098,398**

(EUR 1,000)	Note	31 Dec 2021	31 Dec 2020
Liabilities			
Liabilities to credit institutions	16,27	166,484	97,219
Liabilities to customers	16,27	4,222,364	4,086,045
Non-life insurance liabilities	28	52,692	43,915
Debt securities issued to the public	29	284,920	266,346
Supplementary cooperative capital	30	-	11,287
Other liabilities	31	50,060	51,991
Tax liabilities	26	28,367	24,353
Total liabilities		**4,804,888**	**4,581,156**
Equity capital			
Cooperative capital			
Cooperative contributions		10,163	9,909
POP Shares		56,893	56,121
Total cooperative capital	32	**67,056**	**66,030**
Reserves	32	163,877	166,497
Retained earnings	32	321,437	284,271
Total equity attributable to the owners of the POP Bank Group		**552,370**	**516,798**
Non-controlling interests		439	444
Total equity capital		**552,809**	**517,242**
Total liabilities and equity capital		**5,357,697**	**5,098,398**

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2.

STATEMENT OF CHANGES IN THE POP BANK GROUP'S EQUITY CAPITAL

(EUR 1,000)	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1st of Jan 2021	**66,031**	**4,905**	**161,592**	**284,271**	**516,798**	**444**	**517,242**
Comprehensive income for the financial year							
Profit for the financial year	-	-	-	37,110	**37,110**	-5	**37,105**
Other comprehensive income	-	-867	-	-353	**-1,219**	-	**-1,219**
Total comprehensive income for the financial year	**-**	**-867**	**-**	**36,757**	**35,890**	**-5**	**35,885**
Transactions with shareholders							
Change in cooperative capital	834	-	-	-	**834**	-	**834**
Profit distribution	-	-	-	-1,089	**-1,089**	-	**-1,089**
Transfer of reserves	192	-	-1,753	1,561	**-**	**-**	**-**
Transactions with shareholders total	**1,026**	**-**	**-1,753**	**472**	**-255**	**-**	**-255**
Other changes	-	-	-	-63	**-63**	-	**-63**
Balance at 31 Dec 2021	**67,057**	**4,038**	**159,839**	**321,437**	**552,370**	**439**	**552,809**

(EUR 1,000)	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 Jan 2020	**66,745**	**3,761**	**156,934**	**280,566**	**508,006**	**429**	**508,435**
Change in accounting policy	-	-	-	-493	**-493**	-	**-493**
Corredted balance at 1 Jan 2020	**66,745**	**3,761**	**156,934**	**280,073**	**507,513**	**429**	**507,942**
Comprehensive income for the period							
Profit for the financial period	**-**	**-**	**-**	**11,087**	**11,087**	**15**	**11,101**
Other comprehensive income	-	1,144	-	-564	**580**	-	**580**
Total comprehensive income	**-**	**1,144**	**-**	**10,522**	**11,666**	**15**	**11,681**
Transactions with shareholders							
Change 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**	**161,592**	**284,271**	**516,798**	**444**	**517,242**

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2.

The Financial Supervisory Authority recommended on 18 December 2020 that banks should exercise extreme caution in distributing profits until 30 September 2021 and recommended that banks should comply with the European Central Bank's recommended maximum profit distribution. The cooperative banks of the POP Bank Group has complied with the recommendations regarding the profit distribution of profits paid for 2020. Profit distribution of the POP Banks' does not have a material impact on the capital level of the POP Banks' or the ability to offer financing to their customers.

POP BANK GROUP'S CASH FLOW STATEMENT

(EUR 1,000)	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Cash flow from operations			
Profit for the financial year		37,105	11,101
Adjustments to profit for the financial year		44,494	25,428
Increase (-) or decrease (+) in operating assets		**-383,899**	**-350,282**
Advances to credit institutions	20	1,177	7,065
Advances to customers	20	-387,854	-238,399
Investment assets	21	3,537	-117,307
Other assets	25	-759	-1,641
Increase (+) or decrease (-) in operating liabilities		**188,483**	**392,331**
Liabilities to credit institutions	27	69,266	59,676
Liabilities to customers	27	124,591	339,739
Other liablilities	31	-2,053	-3,873
Income tax paid		-3,322	-3,211
Total cash flow from operations		**-113,819**	**78,578**
Cash flow from investing activities			
Changes in other investments		-165	-120
Purchase of PPE and intangible assets		-5,767	-6,094
Proceeds from sales of PPE and intangible assets		2,339	1,235
Net cash used in investing activities		**-3,593**	**-4,979**
Cash flow from financing activities			
Change in cooperative capital, net	32	1,031	-829
Interests paid on cooperative capital and other profit distribution		-1,089	-1,285
Debt securities issued, increase	29	79,945	246,821
Debt securities issued, decrease	29	-61,387	-95,426
Payment of lease liabilities	36	-1,842	-1,831
Net cash used in financing activities		**16,657**	**147,450**

(EUR 1,000)	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Change in cash and cash equivalents			
Cash and cash equivalents at period-start		415,120	194,071
Cash and cash equivalents at the end of the period		314,365	415,120
Net change in cash and cash equivalents		**-100,755**	**221,049**
Cash and cash equivalents			
Liquid assets	19	11,011	11,435
Receivables from credit institutions payable on demand	19, 20	303,354	403,684
Total		**314,365**	**415,120**

ADDITIONAL INFORMATION OF THE CASH FLOW STATEMENT

Interest received	**80,838**	**78,691**
Interest paid	**5,709**	**4,468**
Dividends received	**3,591**	**4,355**
Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	10,390	7,468
Depreciations	18,186	10,783
Technical provision	15,083	5,287
Other	835	1,890
Adjustments to profit for the financial year	**44,494**	**25,428**

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2.

NOTES

NOTES CONCERNING THE PREPARATION OF THE FINANCIAL STATEMENTS

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 as well as non-life insurance services to retail customers.

The member credit institutions of POP Bank Centre coop include 21 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.

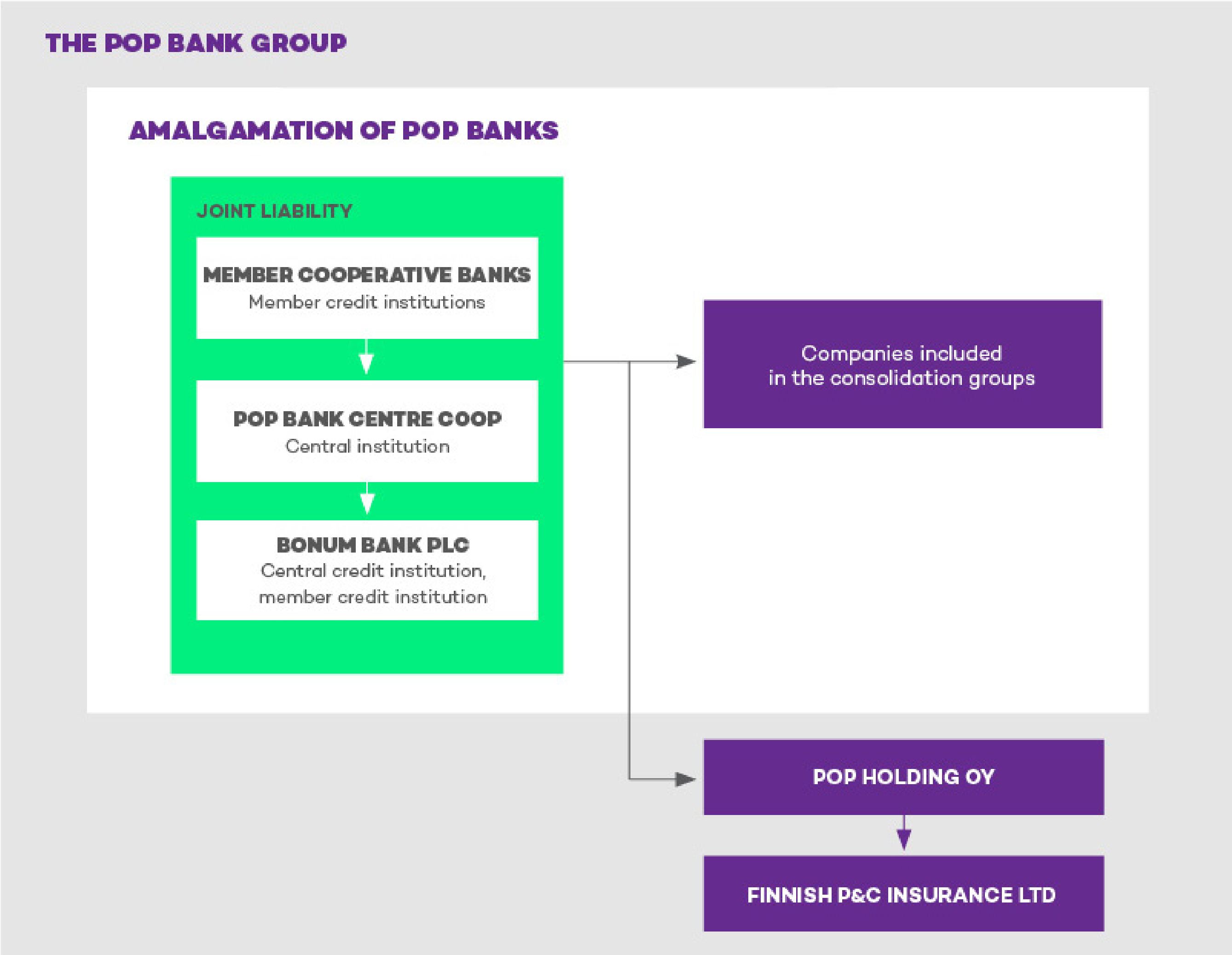
The POP Bank Group also includes other entities besides the entities included in the amalgamation of POP Banks. In addition to the organisations that belong to the amalgamation of POP Banks, the POP Bank Group comprises POP Holding Ltd and its wholly owned company Finnish P&C Insurance Ltd. Neither of 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 accounting policies that include a description of the technical parent company consisting of the member cooperative banks are presented in Note 2. The member cooperative banks and other Group companies consolidated in the IFRS financial statements included in the technical parent company are listed in Note 37.

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

POP BANK GROUP STRUCTURE



During the financial year, one internal merger in the POP Bank Group took place. At the end of February, Reisjärven Osuuspankki merged with Siilinjärvi Osuuspankki and the bank's name was changed to Järvi-Suomen Osuuspankki. Following the mergers, the POP Bank Group includes 21 member banks. The merger has no effect on the financial statements of the POP Bank Group.

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 16 February 2022. The financial statements will be distributed to the general meeting of POP Bank Centre coop cooperative on 1 April 2022. 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

1. BASIS OF PREPARATION

The consolidated financial statements of the POP Bank Group (hereinafter also referred to as the "Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations (IFRIC). The applicable Finnish accounting and corporate legislation and regulatory requirements have also been taken into account when preparing the notes to the financial statements.

The obligation of the POP Bank Group to prepare financial statements in accordance with IFRS is based on the Act on the Amalgamation of Deposit Banks (599/2010; hereinafter referred to as the "Amalgamation Act").

Figures in the consolidated financial statements of the POP Bank Group are presented in thousand euros, unless otherwise stated. Figures in the notes are rounded, whereby the sum total of individual figures may deviate from the sum total presented in the calculations and tables.

Assets and liabilities denominated in currencies other than euro have been translated into euro at the exchange rate of the balance sheet date. Exchange rate differences resulting from measurement have been recognised in net investment income in the income statement with the exception of financial instruments measured at fair value through other comprehensive income. The operating currency of all of the companies belonging to the POP Bank Group is euro.

The consolidated financial statements of the POP Bank Group are based on original cost, with the exception of financial assets and financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income. Furthermore, information concerning risks specified in the EU Capital Requirements Regulation (EU 2019/876) is disclosed in a separate Pillar III report published on the Internet page of the POP Bank Group.

2. CONSOLIDATION PRINCIPLES

2.1 TECHNICAL PARENT COMPANY

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

POP Bank Centre coop or its member cooperative banks do not exercise control on each other, and therefore no parent company can be determined for the Group. In the IFRS financial statements, a "technical parent" company has been formed for the POP Bank Group from the member cooperative banks. The member cooperative banks and the central institution have individually or jointly control over the other entities combined in the Group's IFRS financial statements. Within the technical parent company, intra-group holdings, transactions, receivables and liabilities, distribution of profit and margins are eliminated. Cooperative capital comprises such cooperative contributions paid by members of cooperative banks which the member banks have an unconditional right to refuse the redemption.

2.2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

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

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

Associated companies are companies over which the Group exercises significant influence on business management and financing. Significant influence is based on voting rights. Associates are consolidated using the equity method.

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

2.3 NON-CONTROLLING INTERESTS

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

3. CHANGES IN ACCOUNTING POLICIES

3.1 ADOPTION OF NEW IFRS STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

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

Treatment of costs related to cloud service agreements

During the financial year, the agenda decision of the IFRS Interpretations Committee in April 2021 on the accounting treatment of configuration and customization costs (Configuration or Customization Costs in a Cloud Computing Arrangement) for supplier's application software in a Software as a Service (SaaS) was adopted. The agenda decision considered on , , how the costs of configuration or customization for software purchased as cloud service are accounted for, if an intangible asset is not recognized.

POP Bank Group has taken into account the effects of the agenda decision on the handling of cloud services retrospectively in the second half of the financial year. Under the new accounting policy, configuration costs related to cloud service contracts are mainly recognized as expenses and customization costs are recognized as prepayments or expenses, depending on whether the configuration services are distinct from the actual cloud service contract. In the cloud service arrangement, the software is controlled by a third party, and the software's configuration and customization costs are not capitalized as an intangible asset. The prepayment recognized under the cloud service agreement is released as an expense during the contract period from the time the asset is ready for use. The effects of the change in accounting policy on the various financial statements line items are presented in the table below. The effect on income statement is due to internal costs and other expenses previously capitalised. The change in accounting policy is related mainly to information systems of payment area.

EFFECT OF THE CHANGE IN ACCOUNTIN POLICIES

BALANCE SHEET

(EUR 1,000)	Note	31 Dec 2020	Change in accounting policy	Restated 31 Dec 2020
Intangible assets	23	20,549	-5,352	15,196
Other assets	25	28,553	4,263	32,816
Tax assets	26	5,108	218	5,326
Total assets		5,099,270	-871	5,098,398
Retained earnings	32	11,480	-379	11,101
Profit for the financial year	32	285,142	-493	284,650
Equity capital		518,114	-871	517,242
Total liabilities and equity capital		5,099,270	-871	5,098,398

INCOME STATEMENT

(EUR 1,000)	Note	1 Jan - 31 Dec 2020	Change in accounting policy	Restated 1 Jan - 31 Dec 2020
Other operating income	12	-50,738	-1,241	-51,978
Depreciation and amortisation	13	-8,908	767	-8,141
Income tax expense	14	-1,912	95	-1,817
Profit for the financial year		11,480	-379	11,101

Definition of default

At the beginning of 2021, the POP Bank Group adopted the definition of default in accordance with Article 178 of Regulation 575/2013 of the European Parliament and of the Council for the calculation of expected credit losses. Liabilities are classified in ECL stage 3 when they meet the default criteria. The adoption of the definition reduced the number of receivables to be recorded in ECL stage 3, as the criteria previously applied by the POP Bank Group for recording receivables in ECL stage 3 were stricter.

3.2 ADOPTION OF NEW IFRS STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS IN FUTURE FINANCIAL YEARS

In subsequent financial years, the POP Bank Group will adopt the following new standards issued by the IASB from the effective date or from the beginning of the financial year following the effective date, if they have been approved for application in the EU before the effective date.

New IFRS 17 Insurance Contracts (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. POP Bank Group has an ongoing project for evaluating the effects and preparing for adopting the standard.

Other IFRS standards or IFRIC interpretations that have already been issued are not expected to have a material impact on the POP Bank Group's financial statements.

4. FINANCIAL INSTRUMENTS

4.1 CLASSIFICATION AND RECOGNITION OF FINANCIAL ASSETS

Classification

Financial assets are classified on initial recognition into following measurement categories based on the business model followed in their management and the debt instruments' cash flow characteristics:

- Financial assets at amortised cost
- Financial assets at value through other comprehensive income
- Financial assets recognized at fair value through profit and loss.

In accordance with the IFRS 9 Financial instruments, Financial liabilities are classified on initial recognition into following measurement categories:

- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit and loss

Recognition

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

Purchases and sales of financial instruments are recognised on the settlement date. Loans granted are recognised in the balance sheet on the date when the customer draws down the loan. Instruments issued are recognised in the balance sheet at the latest on the date when the customer makes the subscription.

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

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights have been transferred to another party so that substantially all the risks and rewards of ownership of the financial asset are transferred. In addition, an agreement included in financial assets is derecognised on the balance sheet if the rights to cash flows that are based on the agreement are transferred to another party or if the agreement includes an obligation to pay the cash flows in question to one or several recipients. If a consideration is received, but all the risks and rewards of ownership of the transferred asset are substantially retained, the transferred asset is recognised in its entirety and a financial liability is recognised for the consideration received.

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

Financial liabilities are derecognised when the related obligations have been fulfilled and they have been extinguished. An exchange of a debt instrument with substantially different terms or substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

4.2 BUSINESS MODELS FOR MANAGING FINANCIAL ASSETS AND MEASUREMENT

According to IFRS 9, an entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The business model is determined at a level that reflects how financial asset groups are managed together to achieve a particular business objective.

In POP Bank Group, financial assets are managed according to three business models:

1. Financial assets held (objective to collect cash flows)
2. Combination of financial assets held and sold (objective to collect cash flows and sale)
3. Other long-term investments

Financial assets held -business model includes loans and receivables and debt instruments held to maturity, which pass the SPPI-test (Solely Payments of Principal and Interest) for their cash flow characteristics. In the SPPI-test, it is determined whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Combination-business model includes debt instruments with contractual cash flows being solely payments of principal and interest, held to maturity or close to maturity or sold for example to reach the targets of the investment strategy.

Other long-term investments -business model includes shares and other instruments, whose cash flows do not consist solely on payments of principal and interest.

POP Bank Group does not actively trade financial assets. The purpose of POP Bank Group's investment activities is to invest surplus with long-term objective and to maintain investment portfolio for liquidity purposes.

Financial assets measured at amortised cost
Financial assets measured at amortised cost includes loans and receivables and the debt instruments, which are, according to the investment policy, intended to be held to maturity with terms of regular payments of interest and principal either in part or entirety (SPPI-test). In addition, liquid assets, in which the liquidity does not have to be tested by regular sales, may be classified to this measurement class.

Financial assets measured at fair value through other comprehensive income
Financial assets measured at fair value through other comprehensive income includes debt instruments, which are, according to the investment policy, intended to be held in order to collect contractual cash flows or sold, if necessary, for reaching the objectives of the business model (combination-business model). Classification requires, that the contractual terms of the instrument include regular payments of interest and principal either in part or in entirety (SPPI-test).

Among other things, investments which can be sold to cover liquidity needs, for example, and liquid assets which have to be tested on regular sales in order to demonstrate the liquidity of those assets are classified to this measurement class.

Changes in financial instrument's fair value is recognised in items of other comprehensive income. The increase and decrease of expected credit losses are recognised in the income statement and in items of other comprehensive income. Profit and loss from foreign currencies are also recognised in other comprehensive income. When sold, the chance in fair value as well as the profit and loss from foreign currencies are recognised from other comprehensive income to net investment income in the income statement and expected credit loss in impairment losses on financial assets in the income statement.

Financial assets measured at fair value through profit or loss
Financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. Financial assets measured at fair value through profit or loss include shares and participations and debt instruments, which do not meet the SPPI-test. An exception is made with regards to shares which are measured at fair value through other comprehensive income.

POP Bank Group does not have financial assets held for trading purposes.

Changes in fair value are recognised in the net investment income.

Equity instrument assets measured at fair value through other comprehensive income
POP Bank Group has adopted the exception in IFRS 9, according to which changes in the fair value of investments in shares may be recognised

in other comprehensive income. The exception is adopted to investments in shares regarded strategic to POP Bank Group's business operations.

Changes in fair value are recognised in other comprehensive income. In case such an investment is subsequently sold, the result of the sale is recognised in equity. The election can be made only at initial recognition and it is irrevocable.

Financial liabilities measured at amortised cost
The POP Bank Group's financial liabilities are measured at amortised cost according to the effective interest rate method.. Financial liabilities measured at amortised cost includes deposits and debt securities issued to the public, liabilities to credit institutions as well as other financial liabilities. The POP Bank Group has no financial liabilities measured at fair value through profit or loss.

4.3 DETERMINING FAIR VALUE

Fair value is the price that would be attained if the asset was sold or would be paid to transfer the liability from one market party to another in a standard business transaction taking place on a valuation day.

A financial instrument's fair value is based on price quotations obtained from active markets or, if active markets do not exist, via company's own valuation methods. A market is considered active if price quotations are readily and regularly available and if they reflect real and regularly occurring arm's-length market transactions.

Current bid price is used as the quoted market price of financial assets.

If the market has a well-established valuation technique for a financial instrument for which there is no direct market price available, the fair value is based on the commonly used valuation model and on the market quotations of the input data used in the model.

If there is no well-established valuation technique in the market, fair value is determined based on a specific valuation model created for the product in question. The valuation models are based on widely used measuring techniques, incorporating all the factors that market participants would consider when setting a price. The valuation prices used include market transaction prices, the discounted cash flow method, as well as the fair value of another substantially similar instrument at the reporting date. The valuation methods take into account an estimate of the credit risk, applicable discount rates, early repayment options, and other such factors that may impact reliable determination of the fair value of the financial instrument.

The fair values of financial instruments are divided into three hierarchical levels depending on how the fair value is defined:

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

The fair value hierarchy level into which an item measured at fair value is fully classified is determined by the input data, which is at the lowest level and is significant in respect to the whole item. The significance of the input data is evaluated considering the whole item, which is valued at fair value.

4.4 IMPAIRMENT OF FINANCIAL ASSETS

A loss allowance on financial assets measured at amortized cost or fair value through other comprehensive income and off-balance sheet credit commitments is recognized on the basis of expected credit losses. The expected credit loss of a financial instrument is determined as the difference between the contractual cash flows that the entity is entitled to receive under the contract and the cash flows expected to be received by the entity at the original effective interest rate at the time of reporting.

To determine expected credit losses, financial instruments are classified in stages from 1 to 3. 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 calculation of expected credit losses in POP Bank Group is based on four main segments:

- Private customers (excl. agricultural customers)
- Corporate customers (excl. agricultural customers)
- Agricultural customers
- Investment portfolio

The calculation of expected credit losses is based on the probability of default (PD), the loss ratio (LGD, loss given default) and the exposure at default (EAD) for each segment.

The probability of default (PD) is measured by the historical credit rating model.. The credit rating models are defined for the four main segments described above. Credit rating models constructed using statistical methods are used to estimate the PD of private and corporate customers. The credit rating model for agricultural customers is constructed by an expert and is based on the customers' financial ratios. Management estimates have been used to set PDs for agricultural customers, as there are few cases of default in the segment for statistical modelling.

Loss given default (LGD) refers to the expected portion of the loan loss on the remaining capital if the counterparty is classified as default. The parameters for calculating loss shares in the POP Bank Group are determined on the basis of expert estimates. Industry-specific LGD data from the Finnish market have been used to determine LGD values.

The exposure at default (EAD) is calculated for each loan and off-balance sheet item separately on the basis of repayments under the terms of the contract, with the exception of contracts without maturity whose lifecycle is determined on the basis of expert judgment. In the EAD calculation of off-balance sheet items, CCF coefficients shall be applied in accordance with the standardised credit risk standard for the credit risk calculation, with the exception of card credits for which a credit equivalent value (CCF) has been determined on the basis of expert judgment.

Estimated credit losses are estimated using future information available with reasonable ease. For the purpose of calculating expected credit losses, the POP Bank Group has developed a model based on three macroeconomic scenarios and related implementation probabilities to correct the parameters used in the calculation when estimating expected credit losses. The macroeconomic scenarios are based on the projected growth rate of Finland's Gross Domestic Product over the next three years.

In the measurement of expected credit losses, a transition will be made from the recognition of expected credit losses over 12 months to the recognition of expected credit losses throughout the lifetime of the contract as the credit risk increases significantly after the initial recognition, after which the contract is transferred from stage 1 to stage 2. The credit risk is considered to have increased significantly, when forbearance measures to the contract have been made less than 12 months ago, contract has been overdue for more than 30 days, or another qualitative risk factor has been identified in the customer's situation such as a significant change in the customer's business that is not yet reflected in the payment delay. In addition, the credit risk is considered significantly increased if the counterparty credit rating has deteriorated significantly. The threshold value determined by expert estimation of significant impairment is based on the change in PD value between the time of reporting and the time of the contract origination.

The POP Bank Group applies the definition of default in accordance with Article 178 of Regulation 575/2013 of the European Parliament and of the Council when calculating expected credit losses. Liabilities are classified in stage 3 when they meet the definition criteria. For non-retail customers, which are customers with a turnover of more than EUR 50 million and liabilities of more than EUR 1 million, the definition of default applies at customer level and to retail customers at contract level. However, all receivables from a retail customer are recorded as defaulted (customer-level default) if the amount of the customer's liabilities exceeds 20 per cent of the customer's total liabilities.

The contract is considered defaulted at the latest when the liability under the default criteria has been continuously delayed for more than 90 days. In addition, a customer is considered defaulted when repayment is considered unlikely for example if the customer has been declared bankrupt or similar proceedings, or if the customer has forbearance measures that causes a change in the present value of the liability of more than 1 per cent. The contract or customer is considered defaulted for a period of 90 days after the conditions for default have ceased to exist.

POP Banks do not have contracts that are originated as impaired.

If the customer has not fulfilled the criteria for default for at least 3 months, the customer's liability will return to either stage 2 or stage 1, depending on whether the exposures meet a significant increase in the credit risk criteria at the time of return. The contract will return from stage 2 to stage 1 without a separate trial period if the contract no longer meets the criteria for significant credit risk growth.

POP Bank Group applies an exception to financial assets at fair value through profit or loss other than IFRS9, in which all instruments with a low credit risk are classified in stage 1 and instruments with higher credit risk are classified in stage 2.

A loss allowance on financial assets recognised at amortised cost and fair value through other comprehensive income and for off-balance sheet items is recognised in the income statement. Loss allowance in the income statement consists of the expected credit loss calculated for the financial asset, where the expected credit losses previously recognized have been deducted. A loss allowance is cancelled if a final credit loss is recognized for the financial asset. The loss allowance on financial assets recognized at amortized cost reduces the carrying amount of the financial assets. The loss allowance for financial assets at fair value through other comprehensive income is recognised in the statement of comprehensive income. The loss allowance on off-balance sheet commitments is recognised as a provision in other provisions and liabilities.

More information in recognising and measuring of final credit losses is described in the section 2.4.

5. INTANGIBLE ASSETS

The most significant intangible assets of the POP Bank Group are comprised of banking and insurance information systems and licenses. An intangible asset is recognized in the balance sheet at acquisition cost if it is probable that the expected economic benefits associated with the asset will flow to the POP Bank Group and the acquisition cost of the asset can be measured reliably. Acquisition cost includes all costs that are directly attributable to bringing the asset to its working condition for its intended use. POP Bank Group has capitalised also internally produced intangible assets. The capitalised expenditures for internally produced intangible assets includes, for example, license fees, purchased services, in-house work and other external costs related to projects.

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

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

Configuration and customization costs related to Software as a Service (SaaS) cloud service agreements are recognized as prepayments or expenses, depending on whether the configuration and customization services are distinct from the actual cloud service agreement. In the cloud service arrangement, the software is controlled by a third party, and the software's configuration and customization functions are not capitalized as an intangible asset. The prepayment recognized under the cloud service agreement is released as an expense during the agreement period from the time the asset is ready for use.

6. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

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

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

Indications of impairment of property, plant and equipment and investment properties are assessed on each balance sheet date. If such indications exist, the recoverable amount from the asset will be estimated. These indications are, for example, significant decrease in the market value of the property or evidence of physical damage. If the future generated income is expected to be lower than the acquisition cost without depreciation, the resulting difference will be recorded as impairment loss and charged to expenses.

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

7. LEASES

7.1 THE POP BANK GROUP AS THE LESSOR

The POP Bank Group leases properties it owns or parts thereof by way of operating leases. In the leases, the essential risks and benefits of ownership remain with the lessor. The Group has classified all its leases as other leases. Investment properties are recognised as investment assets on the balance sheet, and other properties are recognised as property, plant and equipment. Rental revenue from investment properties is recognised in net investment income and from other properties in other operating income.

7.2 THE POP BANK GROUP AS THE LESSEE

POP Bank Group has obtained mostly commercial premises, office equipment and company cars for employees through contracts classified as leases. At the time of establishing a contract, POP Bank Group assesses whether the contract is a lease or includes a lease. A contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

The Group as a lessee is required to recognise on its balance sheet a right-of-use asset and a lease liability arising from a lease. Lease liabilities are presented under other liabilities and the related interest expenses under net interest income. The right-of-use asset is presented under property, plant and equipment and depreciation is presented under depreciation and impairment losses. POP Bank Group has applied the exemptions included in the standard, according to which leases with a term of 12 months or less, or leases where the underlying asset is of low value, need not be recognised on the balance sheet. The expenses arising from these leases are recognised under other operating income.

A right-of-use asset is initially measured at acquisition cost. After the beginning of the contract, right-of-use assets are measured at acquisition cost less accumulated depreciation and impairment losses. Depreciation on a right-of-use asset is recognised using the straight-line method. Depreciation period for commercial premises with lease valid until further notice is generally 2 years. For fixed-term contracts, the depreciation period is in principle the contractual period. Depreciation times for office equipment vary from 2 to 5 years.

A lease liability is initially measured at the present value of the lease payments remaining unpaid at the beginning of the contract. The incremental borrowing rate of interest is used in the calculation of lease liabilities. The interest rate used for additional credit is the interest rate determined by the central credit institution of the amalgamation of POP Banks for credits granted within the group.

The economic lifetime of a leased asset is taken into consideration when determining the lease period. The management's estimates are significant, particularly when determining the lease period for contracts valid until further notice and the incremental borrowing rate of interest. Contracts valid until further notice are assigned a lease period based on the management's estimate in cases when it is reasonably certain that they are entered into for a period that exceeds their notice period.

8. INSURANCE ASSETS AND LIABILITIES

8.1 FINANCIAL ASSETS OF NON-LIFE INSURANCE

Financial assets of non-life insurance are classified according to the business model applied to their management in accordance with IFRS 9. The policies have been presented in chapter 4 Financial instruments.

8.2 CONTRACTS ISSUED BY THE INSURANCE COMPANY

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

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

8.3 LIABILITIES FOR INSURANCE CONTRACTS

Insurance contract liabilities are calculated in accordance with the national accounting policies for technical provisions.

The insurance contracts issued by the company are primarily annual policies. Premiums written include insurance premiums for the contract periods that have begun during the financial year. After this, the expected expiries and credit losses are deducted from the premiums written. The portion of premiums written for the post-balance sheet date for which future expenses are expected is recorded as a provision for unearned premiums. The amount of the provision for unearned premiums is calculated of the contractual amendments on the contract level. An additional premium is also added to the provision for unearned premiums.

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

Provisions for unpaid claims for annuities are discounted based on a constant discount rate, which was 0.0% on the balance sheet date.

The provision for unearned premiums ceded to reinsurers is calculated similarly to the direct insurer's share. The reinsurer's portion of insurance contract liabilities does not include an additional premium.

As part of the provisions for unpaid claims, the company reserves equalisation provisions. Equalisation provisions are an item calculated in case of claim-intensive years based on theoretical risk. In IFRS Financial statements the equalisation provision is not recognised in insurance contract liabilities, but the amount is recognised in equity without the amount of deferred tax.

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

9. PROVISIONS

A provision is recognised when a legal or factual obligation has emerged due to a previous event and the fulfilment of the obligation is likely. A provision is recognised when the Group can reliably assess the amount of the obligation. Any remuneration paid by a third party is recognised as a separate item when receiving the remuneration is considered practically certain. The provision is measured at the present value of the amounts paid to fulfil the obligation.

10. EMPLOYEE BENEFITS

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

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

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

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

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

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

11. PRINCIPLES FOR RECOGNISING INCOME AND EXPENSES

11.1 INTEREST INCOME AND EXPENSES

Interest income and expenses are amortised over the maturity of the contract using the effective interest rate method, in proportion to the remaining carrying amount in the balance sheet. Interest income and expenses are recognised in net interest income. Interest income and expenses related to insurance assets are recognised in net insurance income in the income statement. Interest income on impaired receivables (receivables registered on stage 3) is calculated for net amount where expected credit loss is deducted.

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

11.2 COMMISSION INCOME AND EXPENSES

Commission income is recognised to the extent that the Group expects to be entitled to in exchange for the service provided to the customer. Commission income is recognised at a point in time or over time. Commissions and fees that are considered as an integral part of the effective interest of a financial instrument are accounted for as an adjustment to the effective interest. However, commissions and fees relating to financial instruments measured at fair value through profit or loss are recognised in the income statement on initial recognition.

11.3 DIVIDENDS

Dividends are primarily recognised when the General Meeting of Shareholders of the distributing entity has made a decision on dividend pay-out and the right to receive dividends has emerged. Dividend income is recognised in net investment income.

11.4 PREMIUMS

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

11.5 PRESENTATION OF INCOME STATEMENT ITEMS

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

Net interest income	Interest income and expenses on financial assets and liabilities, the amount of amortisation on the difference between the nominal and acquisition values, interest on interest-rate derivatives and fees that are accounted as part of the financial asset's effective interest.
Commission income and expenses	Commission income from lending, deposits and legal tasks, products transmitted, such as funds and insurances, commission income and expenses from payments, commission income from securities.
Net investment income	Net income from available-for-sale financial assets (realised capital gains and losses, impairment losses, dividends), net income from investment property (rental and dividend income, capital gains and losses and maintenance charges and expenses related to investment property, depreciation and impairment losses).
Net income from non-life insurance	Premiums written, change in insurance liability, claims paid.
Other operating income	Rental and dividend income and capital gains from owner-occupied properties, other operating income.
Personnel expenses	Wages and salaries, social expenses and pension expenses.
Other operating expenses	Other administrative expenses, expenses related to low-value and short-term leases, sales losses from owner-occupied properties, charges to financial authorities, other expenses related to business operations
Impairment losses on financial assets	Impairment losses on financial assets, expected credit losses and realised credit losses and cancellations of credit losses

12. INCOME TAX

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

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

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

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

13. 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.

These estimates and assumptions, as well as the related uncertainty, are presented in more detail in the financial statement line item level in the sections 2.13.1 – 2.13.5.

13.1 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.

Based on management's judgement, additional impairment losses have been recognized during the prior period due to the increase in credit risk associated with certain issuers of debt securities. Management has reassessed the financial risk related to these issuers on a case-by-case basis and decreased additional impairment loss provisions since these issuers' financial situation has improved despite the prolonged Covid-19 pandemic. An additional impairment loss provision on loans to customers was recognised during the financial period based on estimated effects of prolonged Covid-19 pandemic to credit risk.

The policies on impairment of financial assets have been presented in detail in chapter 2.4.4 Impairment of financial assets.

13.2 DETERMINING FAIR VALUE

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

The management must assess whether the markets for financial instruments are active or not. Furthermore, the management must assess whether an individual financial instrument is subject to active trading and whether the price information obtained from the market is a reliable indication of the instrument's fair value.

When the fair value of financial instruments is determined using a valuation technique, the management's judgement is needed in the choice of the valuation technique to be applied. Insofar as there is no market input available for the techniques, management must evaluate how other data can be used for the valuation. The principles for determining fair value are presented in more detail in sections 3.3 Determining fair value and 5. Property, plant and equipment and investment properties.

13.3 IMPAIRMENT OF INTANGIBLE ASSETS

In addition, the management must assess at the end of each reporting period whether there are indications of impairment of non-financial assets. The impairment of intangible assets must be assessed when there are indications of the impairment of an asset. The amount recoverable from intangible assets is determined in the impairment assessment on the basis of the use value or fair value of the asset. Impairment testing requires management's judgement and assessment of the recoverable amount of the asset in question, as well as the interest rate used for discounting. In addition, management's judgement is required for the evaluation of intangible assets under development.

13.4 ASSUMPTIONS USED IN ACTUARIAL CALCULATIONS

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

13.5 LEASE PERIODS OF CONTRACTS CLASSIFIED AS LEASES

Determining the lease periods of leases in effect until further notice requires discretion from the management, which requires the assessment of the economic life of the asset when it is reasonably certain that the leases have been made for a period longer than the term of notice. The assessment must take into account the conditions in which the leased asset will be used.

NOTE 3 GOVERNANCE AND MANAGEMENT

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

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

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

The POP Bank Group entities not included in the amalgamation are entities other than credit and financial institutions or service companies. Most significant of them are POP Holding Ltd, and its wholly-owned subsidiary Finnish P&C Insurance Ltd.

1. ENTITIES INCLUDED IN THE AMALGAMATION OF POP BANKS

1.1 CENTRAL INSTITUTION POP BANK CENTRE COOP

POP Bank Centre coop is the central institution of the amalgamation of POP Banks, and it is licensed as the central institution of an amalgamation of deposit banks. POP Bank Centre coop is owned by its member cooperative banks; they use their voting rights in a cooperative meeting of POP Bank Centre coop.

1.2 POP BANKS

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

1.3 CENTRAL CREDIT INSTITUTION BONUM BANK PLC

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

1.4 OTHER ENTITIES IN THE AMALGAMATION

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

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

2.1 COOPERATIVE MEETING OF POP BANK CENTRE COOP

The cooperative meeting is the supreme decision-making body of POP Bank Centre coop. The cooperative meeting confirms the rules and adopts the financial statements and balance sheet of the central institution and elects the members of the Supervisory Board and the auditor. One member shall be elected to the Supervisory Board from each member credit institution;

however, not from a subsidiary of the central institution acting as a member credit institution.

2.2 SUPERVISORY BOARD OF POP BANK CENTRE COOP

It is a key task of the Supervisory Board of POP Bank Centre coop to supervise that the operations of the central institution are managed with expertise and care in compliance with the legislation, guidelines and the members' interests and that the ratified guidelines and decisions by the cooperative meeting are followed. The Supervisory Board gives a statement to the Board of Directors for POP Bank Group's strategy and a statement to the spring cooperative meeting for the POP Bank Centre Coop financial statements, consolidated financial statements and report of the Board of Directors. The Supervisory Board also processes other issues presented by the Board of Directors.

The Supervisory Board elects and discharges the members of the Board of Directors, the Managing Director and elects Managing Director's deputy as well as decides on the fees of Board of Directors.

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

2.3 BOARD OF DIRECTORS OF POP BANK CENTRE COOP

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

The Board of Directors of the central institution confirms the POP Bank Group's strategy after hearing the Supervisory Board. The Board of Directors ratifies the amalgamation's risk level and risk appetite based on business plans and approves the plan concerning the maintenance of capital adequacy proportioned to the risk level. The Board of Directors sets the target level for capital adequacy and confirms the level and structure of capital required by the risk profile. The Board of Directors is also responsible for proactive capital planning and adapting the capital adequacy management planning and proactive capital planning into reliable governance and guidance. The Board of Directors annually estimates the suitability, comprehensiveness and credibility of the capital adequacy management, and confirms the capital adequacy management plan of the amalgamation.

The Board of Directors is responsible for the sufficiency of the risk management system at the amalgamation level. It is the task of the Board of Directors to guide the operation of the amalgamation and issue binding guidelines based on the Amalgamation Act 17 § to its member credit institutions concerning their risk management, reliable governance and internal control to secure their solvency and capital adequacy. The Board of Directors supervises that the companies belonging to the amalgamation operate in compliance with the laws, decrees, regulations and instructions issued by the authorities, their own rules and the binding guidelines of the amalgamation. Moreover, it is the duty of the Board of Directors to oversee the functioning and sufficiency of internal control and risk management, approve the principles and guidelines of risk management and the risk category-specific strategies.

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

The Board of Directors annually reviews its work and the knowledge and skills, experience and diverse collectively necessary for its work and the job description of new members.

The members of the Board of Directors shall have the preconditions for successfully taking care of their duties and sufficient time for it. A Board member and member of the executive management must have sufficient expertise in the amalgamation's business, related key risks and managerial work.

At least half of the Board members must be elected from persons who are employed by a member credit institution of the amalgamation.

Board members must be reliable persons with a good reputation. The reliability, suitability and professional skills of persons elected as Board members are assessed in connection with their election and at regular intervals thereafter. The Board of Directors of the central institution has specified a maximum number of board memberships of a Board member. A member of the Board of Directors may be a member of a maximum of four other boards of directors. When calculating the number of board memberships, memberships of the boards of directors within the POP Bank Group or those related to the Group's cooperative relationships or membership in the administrative organs of entities with no commercial purposes, such as non-profit or charity organisations and housing associations can be excluded.

2.4 MANAGING DIRECTOR OF POP BANK CENTRE COOP

The central institution is led by a Managing Director or CEO responsible for the day-to-day management and administration of the central institution in accordance with the instructions and orders issued by the Board of Directors.

The Managing Director prepares the matters presented to the Board of Directors and assists the Board of Directors in the preparation of matters presented to the Supervisory Board and the co-operative meeting. The CEO is required to seek the approval of the Board of Directors for any secondary jobs.

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

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

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

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

The member credit institutions, within limits set by confirmed business risk thresholds, carry their business risks independently and are liable for their capital adequacy. A member credit institution of the amalgamation may not take such high risk in its operations that it causes essential risks to the combined liquidity coverage ratio or capital adequacy of the entities included in the amalgamation.

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

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

In accordance with the Amalgamation Act, the Financial Supervisory Authority may grant the central institution a permit to decide on granting certain exceptions related to capital adequacy and liquidity to its member credit institutions. On the reporting date, the central institution has exempted the member credit institutions from own funds requirement for intra-group exposures, large exposure limitation for exposures between the central credit institution and member credit institutions, amalgamation's internal items are exempted from leverage ratio measurements and liquidity coverage ratio (LCR). In addition, central institution has received 2021 a permit to exemption member institutions from net stable Funding Ratio (NSFR) requirement. Bonum Bank Plc manages both LCR and NFSR at amalgamation level.

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

4. JOINING AND RESIGNING FROM THE AMALGAMATION OF POP BANKS

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

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

A member credit institution can be dismissed from the central institution in accordance with the rules of the central institution and the Co-operatives Act if the member credit institution has neglected its duties arising from its membership. Furthermore, a member credit institution can be dismissed from the central institution if it has, in spite of a warning issued by the Supervisory Board, neglected compliance with the instructions issued by the central institution under section 17 of the Amalgamation Act in a way that significantly threatens the joint liquidity coverage or the application of principles concerning the capital adequacy management or the preparation of financial statements or the supervision of compliance with them in the amalgamation. A member credit institution can also be dismissed if the member credit institution has otherwise acted essentially in violation of the general operating principles of the amalgamation ratified by the central institution or the interests of the central institution or the POP Bank Group. The decision on dismissing a member credit institution is made by a cooperative meeting of the central institution at the proposal of the Supervisory Board.

The provisions of the Amalgamation Act on the liability to pay off a member credit institution are also applied to a credit institution that has resigned or has been dismissed from the central institution if less than five years has passed since the end of the calendar year in which the member credit institution resigned or was dismissed when the demand concerning liability to pay is made to the member credit institution.

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

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

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

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

6. SUPERVISION OF THE AMALGAMATION OF POP BANKS

The Financial Supervisory Authority supervises the central institution in accordance with the Amalgamation Act. The member credit institutions are supervised by the Financial Supervisory Authority and the central institution. The resolution authority of the amalgamation is the Financial Stability Authority.

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

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

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

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

According to the legislation concerning the Deposit Guarantee Fund, the deposit banks belonging to the amalgamation of POP Banks are considered to constitute a single bank in respect of deposit insurance.

The Deposit Guarantee Fund reimburses a maximum total of EUR 100,000 to an individual account holder who has receivables from deposit banks belonging to the amalgamation of POP Banks. The Financial Stability Board administers the Deposit Guarantee Fund and carries out duties related to deposit protection.

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

8. FINANCIAL STATEMENTS AND AUDIT OF THE POP BANK GROUP

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

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

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

A member credit institution is not obliged to publish interim reports pursuant to Chapter 12, section 12 of the Act on Credit Institutions, or the capital adequacy information pursuant to the EU's Capital Requirements Regulation ("Pillar III disclosures"). Information pursuant to Capital Requirements Regulation is disclosed in a separate report of the amalgamation of POP Banks.

9. REMUNERATION

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

Remuneration is divided into fixed and variable remuneration. Fixed remuneration refers to salaries tied to a specific period of time and variable remuneration refers to remuneration tied to the beneficiary's performance or financial factors.

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, guidelines and opinions issued by the Financial Supervisory Authority and European Banking Authority.

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

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

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

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

The member credit institutions in which variable remuneration is in use have different remuneration schemes. The systems differ with regard to, inter alia, the personnel included in their scope, the amount of remuneration and the remuneration criteria.

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

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

If a person who, based on his/her job description, is assigned to a group whose professional duties may cause significant risk to a member credit institution or the company ("person affecting risk profile"), is proposed to be paid more than EUR 50,000 annually, the provisions of the Act on Credit Institutions on deferring the payment of variable remuneration are applied. A significant proportion – at least 40 % of the defined variable remuneration total – is deferred and paid in 3–5 years, at the earliest. When determining the length of deferral, the person's risk profile and the nature of the business are taken into consideration. If the amount of variable compensation exceeds EUR 50,000, it is taken into account that at least half of the compensation must be affected in non-cash form.

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

The member credit institutions publish a report on compliance with the provisions of the Act on Credit Institutions regarding remuneration on their websites. Salaries and bonuses for the financial year are presented in Note 11 to the POP Bank Group's financial statements. The information required by the EU Capital Requirements Regulation No 575/2013 article 450 on the remuneration of people who influence the POP Bank Group's risk exposure is presented in a Pillar III report separate to the financial statements and board of directors' report.

NOTE 4 RISK MANAGEMENT IN THE POP BANK GROUP

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

The strategic objectives of risk management in the POP Bank Group are to ensure the risk-bearing capacity in all circumstances and to keep the amalgamation's and its member credit institutions' risks at a moderate level in relation the their risk-bearing capacity, thus ensuring business continuity. Risk-bearing capacity is built upon risk management proportionated to the scope and complexity of the institution and sufficient capitalization based on profitable business operations. The purpose of the risk management is to ensure that all significant risks resulting from business activities are identified, assessed, measured and monitored on a regular basis and that they are proportionate to the risk-bearing capacity of the amalgamation and the individual member credit institutions.

The purpose of capital adequacy management is to ensure the sufficient amount, quality and efficient use of the capital. Capital is held to cover the material risks arising from the amalgamation's business strategy and plan and to secure the uninterrupted operations 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.

The central institution is responsible for the risk and capital adequacy management of the Group. The central institution provides guidance to the member credit institutions to ensure risk management and supervises that the member institutions operate in accordance with regulation, their own rules, guidelines issued by the central institution and in accordance with appropriate and ethically acceptable procedures. The member credit institutions of the amalgamation, within limits set by confirmed business risk thresholds, carry their business risks independently in their operations and are liable for their capital adequacy. The capital adequacy, liquidity coverage ratio and customer risks of the entities included in the amalgamation of POP Banks are supervised both at the level of individual member institutions and at the consolidated amalgamation level. Violations of the risk management principles are addressed in accordance with the agreed operating models.

Risk and capital adequacy management is regulated by EU legislation, Act on Credit Institutions (610/2014), Act on the Amalgamation of Deposit Banks (24.6.2010/599; hereinafter referred to as the "Amalgamation Act") and the standards, regulations and guidelines issued by the Financial Supervisory Authority and European Banking Authority.

Most significant risks of the amalgamation consist of credit, liquidity, market and operational risk. Credit risk is mitigated careful evaluation of customer repayment capacity and by diversification and collateral. Liquidity risk is mitigated by maintaining a sufficient liquidity reserve and by diversification of funding with regard to timing and counterparty. The most significant subtypes of market risk are the interest rate risk in the banking book and risks stemming from investment activities. Asset and liability management is employed to mitigate the interest rate risk. Investment risk is mitigated through diversification and investment counterparty and allocation limits. Operational risk is managed through clear processes and training of personnel, guidelines and control mechanisms.

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

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

Risk management is an essential part of the internal controls of the amalgamation. The purpose of internal controls is to ensure that the institution complies with regulations, carries out comprehensive risk management and operates efficiently and reliably. Moreover, internal controls serve to ensure that the objectives and goals set for different levels of the amalgamation are achieved in accordance with internal guidelines.

2. ORGANISATION OF RISK AND CAPITAL ADEQUACY MANAGEMENT

The role of the Supervisory Board and the Board of Directors in amalgamation's risk management has been described in the Note 3 Governance and management.

2.1 EXECUTIVE MANAGEMENT

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

2.2 RISK CONTROL FUNCTION

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

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

The risk control function regularly reports a summary of the activities of the risk control function and the observations made by it and risk situation to the Board of Directors. The risk control function ensures that the combined effect of the significant risks taken by all member credit institutions in their business operations on earnings and the own funds is reported to the Board of Directors as part of internal capital adequacy assessment process.

2.3 COMPLIANCE FUNCTION

The compliance function monitors the amalgamation's and its member credit institutions' compliance with the applicable laws, statutory guidelines and orders, market self-regulation and the amalgamation's internal guidelines. The compliance function is also responsible for keeping the central institution's and its member credit institutions senior and operative management aware of any significant changes to key regulations and the implications of such changes. The compliance function prepares guidelines for applying the regulations.

The compliance function reports regularly on its activities and findings to the central institution's operating management, the Board of Directors and the Audit Committee of the Supervisory Board. In addition, the Compliance function of the amalgamation reports to Board of Directors of those member credit institutions whose Compliance function is operated by amalgamation. During the year 2020, the Compliance function has been centralized for all member credit institutions of the amalgamation of POP Banks. The centralized function will be responsible for compliance monitoring from the beginning of 2021.

The compliance risk is managed by monitoring developments in legislation; by providing business operations with guidelines, training and advice on operating methods that comply with the regulations; and by monitoring the compliance of procedures.

2.4 INTERNAL AUDIT

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

The internal audit unit of the amalgamation's central institution is responsible for organising the internal audit in the central institution and member credit institutions, and it controls organising the internal audit in other companies belonging to the amalgamation. The head of audit is responsible for the operation of the internal audit unit. Internal audit acts functionally under the Board of Directors of the central institution and administratively under the Managing Director. The Supervisory Board of the central institution confirms the operating principles of internal audit.

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

2.5 MEMBER CREDIT INSTITUTIONS

The amalgamation's member credit institutions, member cooperative banks and Bonum Bank Plc, comply with the risk and capital adequacy management principles specified by the central institution.

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

At POP Banks, the highest administrative organ is the cooperative meeting or representatives' meeting, which elects the members of the Supervisory Board. The Supervisory Board elects the members of the Board of Directors. At Bonum Bank Plc, the Annual General Meeting elects the members of the Board of Directors. The Supervisory Board elects an Audit Committee from among its number, which assists the Supervisory Board in implementing its control obligation.

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

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

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

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

ORGANISATION OF RISK MANAGEMENT AND INTERNAL CONTROL

I LINE OF DEFENCE

MEMBER CREDIT INSTITUTIONS

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

II LINE OF DEFENCE

INDEPENDENT RISK CONTROL AND COMPLIANCE OF THE CENTRAL INSTITUTION

- Control
- Instruction
- Support, processes, tools

III LINE OF DEFENCE

CENTRAL INSTITUTION'S INTERNAL AUDIT

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

The central institution's risk control function supervises risk management in the amalgamation, and the Compliance function supervises the compliance of the operations. Internal Audit, which operates within the central institution, conducts independent audit and assurance tasks to ensure the adequacy and efficiency of the control procedures.

3. CAPITAL ADEQUACY MANAGEMENT

The objective of capital adequacy management is to ensure that the amalgamation of POP Banks and its member credit institutions have an adequate capital buffer to achieve their business strategy and to cover the material risks arising from them in all circumstances. The capital adequacy position is managed in accordance with the risk appetite framework and related limits set by the amalgamation.

Monitoring and controlling of capital adequacy is implemented by setting limits for both the amalgamation's and the member credit institutions' capital adequacy. The limits are set both for the capital adequacy ratio calculated in accordance with the Capital Requirements Regulation (EU 2019/876) (hereinafter the EU Capital Requirements Regulation) and for the economic capital requirement which is based on an internal risk assessment (Pillar 2).

As part of the capital adequacy management process the aim is to identify all material risks and assess their magnitude and required capital requirements. Under the supervision of the central institution, the member credit institutions of the amalgamation prepare their own capital plans and stress tests on an annual basis using harmonized principles defined by the central institution. Based on the capital plans of the member credit institutions, the capital plan of the amalgamation is prepared, which includes a summary of the development of the capital and exposures of the amalgamation in different scenarios. The process ensures that the amalgamation's growth, profitability and risk-bearing capacity objectives are appropriate and consistent. The baseline scenario of the capital plan forms the basis for budgeting for member credit institutions and the amalgamation.

The key figures, capital requirements and main items of capital adequacy calculations of the amalgamation are presented in the Board of Directors' report in the financial statements. More detailed information is presented in a separate Pillar III report in accordance with Part Eight of the EU Capital Requirements Regulation.

3.1 PILLAR I CAPITAL ADEQUACY RATIO

The amalgamation's most significant Pillar I capital requirements are comprised of exposures secured by real estate and both corporate and retail receivables. The amalgamation applies the standardised approach for the calculation of the capital requirement for credit risk, and the basic indicator approach for calculating the capital requirement for operational risk. Member credit institutions of the amalgamation do not engage in trading activities, so the capital requirement for market risk is only calculated for foreign exchange risk.

Own funds of the amalgamation are comprised of cooperative contributions, POP Shares, retained earnings and reserves less the deductions pursuant to the EU Capital Requirements Regulation. Profit for the financial year is not included in the own funds. A total of EUR 56 892 (56,121) thousand POP Shares were outstanding at the end of 2021.

4. BANKING RISKS

4.1 CREDIT RISK

The most significant risk of the amalgamation is the credit and counterparty risk. Credit risk refers to a situation in which a counterparty cannot fulfil its contractual obligations. The most significant source of credit risk is loans, but credit risk can also arise from other kinds of receivables, such as debt securities, and off-balance-sheet commitments, such as unused credit facilities and overdraft limits and guarantees.

4.1.1 Management of credit risk

The Board of Directors of the central institution controls the credit risk management of the member credit institutions, the methods used in it and the control and reporting of credit risk. The Board of Directors of the central institution approves the credit risk strategy specifying the target risk level and the principles concerning guidelines on risk-taking, customer selection and collateral. Credit risk management aims at limiting the effects of credit risks resulting from lending activities on profit and balance sheet to an acceptable level. The Board of Directors of the central institution approves the customer group and industry division principles and risk and monitoring limits of the credit portfolio used in the monitoring the quality of the credit portfolio. The credit risk strategy is supplemented by credit risk and collateral management guidelines, which lay the foundation for the management of credit risk by the member credit institutions. The central institution's risk control function is responsible for the preparation and maintenance of the credit risk strategy. The credit risk strategy is updated at least annually or whenever there are essential changes in the operating environment or business model of the amalgamation, legislation or regulatory requirements.

Credit strategy approved in Central institution's Board of Directors forms directly credit strategy at individual member credit institution. Credit risk strategy and other operative credit risk guidelines specify the maximum limits for risk concentrations and act as guidelines for the targeting of lending by customer sector, industry and credit grade.

Credit decisions are based on the customer's credit worthiness and ability to pay and the fulfilment of the other credit criteria, such as requirements for collateral. The main principle is decision making by two persons having lending authorization. The lending decisions are made within the decision-making authorizations confirmed by the

Board of Directors of each member credit institution and within the risk guidelines approved by the Central institution's Board of Directors. Member credit institutions primarily grant loans and guarantees in their own operating areas. This ensures local and sufficiently thorough knowledge of the customer.

To ensure the repayment of exposures, exposures should primarily be secured by collateral. Collaterals are valued prudently at fair value, and the development of values is monitored regularly utilizing both statistics and good knowledge of the operating area. The collateral valuation coefficients used for valuating collaterals are harmonized in the member credit institutions of the amalgamation.

Monitoring expected credit losses (ECL) is an essential part of the credit risk management. Principles of impairment and calculation of expected credit losses are described in Note 2 POP Bank Group's accounting policies under IFRS. Impairment losses on loans and receivables, off-balance sheet items and changes during the financial year are presented in Note 18 Impairment of financial assets.

Exposures of customers and non-performing receivables are reported monthly to the Boards of Directors of the member credit institutions. The reports include, amongst other things, the amount and development of credit risk by customer group, industry sector and credit grade category. The risk control function reports to the central institution's Board of Directors on the development of credit risks, risk position, non-performing receivables, forbearance and expected credit losses on a quarterly basis or more often if deemed necessary.

The assessment of the credit worthiness of a customer is based on a good customer knowledge, the customer's occupation and income data, ability to pay and surplus calculation and a credit rating models. Private and corporate customers with open exposures are scored with the behaviour scoring model based on payment behaviour. Agricultural customers with exposures are scored regularly using a credit rating model. New customers who are applying for a loan are scored with application scoring. The purpose of the scoring is to group the customers according to their risk.

Loans and receivables are categorised in rating categories 1–8 by probability of default (PD) of the receivable. Rating category 1 represents the receivables of the lowest risk and risk category 8 represents the receivables of the highest risk. Both the customer and the receivable are categorised as defaulted (rating category 8), if a default criteria described in accounting policies is met. Receivables categorised as defaulted are classified in stage 3 as per IFRS 9 in the calculation of excepted credit losses. Receivables with a significant increase in credit risk are classified in stage 2. Other receivables are classified in stage 1. The principles for calculating expected credit losses are described more in detail in Note 2.

From 1 January 2021, the definition of default was implemented in the calculation of expected credit losses in accordance with Article 178 of the EU Capital Requirements Regulation 575/2013.

Loans and receivables, debt securities and off-balance sheet items in highest-risk rating category 8 totalled 98,655 (124,969) thousand at the end of reporting period.

Risk categories 1-4 had 69.4 (71.6) per cent private customers, 18.6 (18.5) per cent corporate customers and 12.0 (9.9) per cent agricultural customers. Of the higher risk categories 5-8, private customers were 50.4 (52.0) per cent, agricultural customers 22.4 (27.5) per cent and corporate customers 27.4 (20.5) per cent at the end of reporting period.

RECEIVABLES BY RATING CATEGORY 31 DEC 2021

LOANS AND RECEIVABLES FROM CUSTOMERS BY RATING CATEGORY AND BY ECL STAGE

(EUR 1,000)	PD value		31 Dec 2021				31 Dec 2020
Rating category	Lower	Upper	Stage 1	Stage 2	Stage 3	Total	Total
1-4	0.00	1.50	3,328,179	16,023	-	3,344,201	2,751,366
5	1.50	5.00	483,019	44,829	-	527,848	685,931
6	5.00	25.00	125,618	98,586	-	224,204	265,528
7	25.00	100.00	3,020	83,713	-	86,733	80,539
8	100.00	100.00	-	141	97,224	97,366	117,084
Gross value			**3,939,835**	**243,292**	**97,224**	**4,280,352**	**3,900,449**
ECL			**5,199**	**3,960**	**27,363**	**36,523**	**32,302**
Net value			**3,934,636**	**239,332**	**69,861**	**4,243,829**	**3,868,147**

DEBT SECURITIES BY RATING CATEGORY AND BY ECL STAGE

(EUR 1,000)	PD value		31 Dec 2021				31 Dec 2020
Rating category	Lower	Upper	Stage 1	Stage 2	Stage 3	Total	Total
1-4	0.00	1.50	407,544	19,329	-	426,873	444,379
5	1.50	5.00	-	11,417	-	11,417	12,836
6	5.00	25.00	-	3,813	-	3,813	7,959
7	25.00	100.00	-	3,487	-	3,487	1,466
8	100.00	100.00	-	0	-	0	6,547
Gross value			**407,544**	**38,046**	**-**	**445,590**	**473,186**
ECL			**38**	**-**	**-**	**38**	**41**
Net value			**407,506**	**38,046**	**-**	**445,552**	**473,145**

*) Expected credit lossess from debt securities measured at fair value through other comprehensive income totalled 1,385 (3,140) thousand euros, of which 122 thousand is in Stage 1, 870 thousand in Stage 2 and 393 thousand euros in Stage 3.

OFF BALANCE-SHEET COMMITMENTS BY RATING CATEGORY AND BY ECL STAGE

(EUR 1,000)	PD value		31 Dec 2021				31 Dec 2020
Rating category	**Lower**	**Upper**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
1-4	0.00	1.50	312,354	6,420	-	318,775	259,590
5	1.50	5.00	27,089	1,078	-	28,167	29,132
6	5.00	25.00	6,360	1,014	-	7,374	6,256
7	25.00	100.00	5	378	-	382	668
8	100.00	100.00	116	-	1,173	1,289	1,338
Gross value			**345,925**	**8,890**	**1,173**	**355,987**	**296,984**
ECL			**414**	**43**	**215**	**672**	**788**
Net value			**345,511**	**8,847**	**958**	**355,316**	**296,196**

4.1.2 Breakdown of loans by customer groups

The amalgamation's key customer groups are private customers, agricultural customers and small companies. The amalgamation's loan portfolio totalled EUR 4 243 829 (3 868 147) thousand at the end of 2021.

BREAKDOWN OF LOANS BY CUSTOMER GROUPS

(EUR 1,000, net value)	31 Dec 2021	31 Dec 2020	Change, %	Main collateral type
Private customers	2,777,106	2,568,294	8.1 %	Residential real estate
Corporate customers	864,432	716,558	20.6 %	Other real estate
Agricultural customers	602,292	583,295	3.3 %	Other real estate
Total	**4,243,829**	**3,868,147**	**9.7 %**	

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

CORPORATE LENDING BY INDUSTRY

	31 Dec 2021		31 Dec 2020	
(EUR 1,000)	Net value	%	Net value	%
Real estate	303,548	35.1 %	218,491	30.5 %
Construction	131,993	15.3 %	111,924	15.6 %
Wholesale and retail trade	85,018	9.8 %	73,254	10.2 %
Industry	83,914	9.7 %	84,834	11.8 %
Transport and storage	51,226	5.9 %	48,746	6.8 %
Other industries	208,732	24.1 %	179,309	25.0 %
Total	**864,432**	**100.0 %**	**716,558**	**100.0 %**

4.1.3 Loan portfolio by collateral and stages

Lending to private customers is mainly secured by residential real estate collateral. Other collateral is used according to need. A majority, 64.1 (64.6) per cent of the amalgamation's loans has been granted against residential collateral. The loans to private customers are booked in the balance sheets of POP Banks, whereas Visa credit cards and unsecured digital consumer credits are booked in the balance sheet of the central credit institution. The table below shows the amount exposed to credit risk by collateral and stages.

LOAN BOOK BY COLLATERAL TYPE AND BY ECL STAGE

LOAN BOOK BY COLLATERAL TYPE AND BY ECL STAGE 31 DEC 2021

(EUR 1,000, net value)	Stage 1	Stage 2	Stage 3	Total
Residential real estate	2,560,470	131,574	26,297	2,718,342
Other real estate	1,048,851	92,959	36,527	1,178,336
Financial collateral	53,424	792	383	54,599
Guarantee	42,028	4,735	1,507	48,271
Other collateral	52,750	4,552	992	58,294
Non-collateralized	177,113	4,720	4,154	185,987
Total	**3,934,636**	**239,332**	**69,861**	**4,243,829**

LOAN BOOK BY COLLATERAL TYPE AND BY ECL STAGE 31 DEC 2020

(EUR 1,000, net value)	Stage 1	Stage 2	Stage 3	Total
Residential real estate	2,315,817	139,828	42,139	2,497,784
Other real estate	937,969	104,590	43,167	1,085,725
Financial collateral	18,171	650	430	19,251
Guarantee	42,984	5,197	2,526	50,707
Other collateral	43,429	3,805	973	48,207
Non-collateralized	156,487	5,541	4,445	166,472
Total	**3,514,857**	**259,611**	**93,680**	**3,868,147**

4.1.4. Concentration risk

Credit risk concentration arises when the counterparties are financially dependent on each other and operate in a similar operating environment, in which case individual events can have effects on a significant number of counterparties at the same time. Similar concentration risk may also arise when similar collateral is held for credit facilities.

The total amount of loans granted by the amalgamation or an individual member credit institution to a single customer and/or customer group cannot exceed the maximum amounts confirmed in the EU's Capital Requirements Regulation, or the regulations and guidelines provided by the Finnish Financial Supervisory Authority or other supervisory authorities. A euro-denominated limit has been specified at the amalgamation level with new credit exceeding the limit the Central institution's Risk Control to be informed prior to the granting of the credit. There were no credit concentrations risks arising from lending in the amalgamation or at individual member credit institution at the end of the year.

4.1.5. Doubtful receivables, forbearances and impairment losses

The monitoring of credit risk is based on the continuous monitoring of doubtful receivables and past-due payments, forbearances and the quality as well as the composure of the loan portfolio. Problems that can be foreseen are addressed as early as possible. The main principals for managing doubtful receivables and problematic customers are defined in guidelines issued by the Central institution. The main principle of the guidelines is an active management of the receivables in arrears. Bank's risk position can be enhanced by contacting the customer in an early stage of arrears and timely actions for collections. Lengthened arrears affect the ECL staging as well as internal and authority reporting as problem loan.

PAST DUE EXPOSURES

	31 Dec 2021		31 Dec 2020	
(EUR 1,000)	Net value	% of loan portfolio	Net value	% of loan portfolio
Exposures 30-90 days past due	31,658	0.75 %	21,102	0.55 %
Exposures over 90 days past due	39,064	0.92 %	33,194	0.87 %
Exposures 90-180 days past due	10,808	0.25 %	9,533	0.25 %
Exposures 180 days - 1 year past due	10,899	0.26 %	7,423	0.20 %
Exposures over 1 year past due	17,356	0.41 %	16,238	0.43 %

Doubtful receivables are being followed and reported by criteria that are similar to the definitions of ECL stage 3 and forbearance. In addition to these criteria a single receivable or customer's all receivables can be classified as doubtful receivables by using bank's own consideration.

Forbearance is a temporary concession to contract terms due to customer's financial difficulties. Purpose of forbearance measures is to secure the customer's ability to pay and limit the credit risk of the receivables. Receivables that are more than 90 days past due with forbearance measures are included in stage 3. Receivables with more than one forbearance measure are also included in stage 3. Other receivables with forbearance measures are included in stage 2. The Covid-19 pandemic did not affect the amount of doubtful receivables during the financial year.

DOUBTFUL RECEIVABLES AND FORBEARANCE

(EUR 1,000, gross value)	31 Dec 2021	31 Dec 2020
Receivables in stage 3	97,224	117,084
of which forbearance receivables	35,404	37,194
Receivables in stage 2	243,292	263,149
of which forbearance receivables	90,201	116,459

Receivables in stage 3 are covered mainly by residential real estate or other real estate. Significant receivables that are in stage 2 or 3 are being evaluated monthly. In the survey actions for securing the receivable, valuation of the collateral, change in the credit classification and possible credit loss are being considered. Loans categorized in stage 3 decreased 17.0 per cent during the financial year.

LOAN BOOK IN STAGE 3 BY THE PRIMARY COLLATERAL TYPE 31 DEC 2021

(EUR 1,000)	Gross value	Eligible collateral *	ECL	Open credit risk after ECL and collaterals
Residential real estate	35,186	32,247	8,888	-
Other real estate	48,991	44,636	12,464	-
Financial collateral	451	321	68	62
Guarantee	2,776	-	1,269	1,507
Other collateral	2,679	224	1,686	769
Non-collateralized	7,142	-	2,988	4,154
Total	97,224	77,428	27,363	6,492

LOAN BOOK IN STAGE 3 BY THE PRIMARY COLLATERAL TYPE 31 DEC 2020

(EUR 1,000)	Gross value	Eligible collateral *	ECL	Open credit risk after ECL and collaterals
Residential real estate	49,156	44,148	7,017	-
Other real estate	53,401	44,333	10,234	-
Financial collateral	640	360	210	70
Guarantee	4,317	-	1,791	2,526
Other collateral	2,343	491	1,370	483
Non-collateralized	7,228	4,659	2,783	-
Total	117,084	93,991	23,405	3,079

*The tables only show the effect of eligible collateral arrangements for capital adequacy purposes. Receivables are also subject to non-secured collateral arrangements.

Expected credit losses (ECL) increased by 13.1 per cent to EUR 36.5 (32.3) million during the financial year. Increase in expected credit losses is explained mainly by EUR 3.0 million provision made by management judgement.

The accounting policies for impairment on loans and other receivables are defined in Note 2 of the financial statements, and more detailed information about changes in expected credit losses is presented in Note 18 Impairment losses on financial assets.

4.2 MARKET RISK

Market risk refers to the possibility of losses caused by changes in interest rates and market prices. The market risk types are interest rate, currency, equity and commodity risk. Interest rate risk of the banking book is the most significant market risk in the POP Bank Group's banking business. Interest rate risks arise from the banking book of member credit institutions, consisting of lending and deposits, wholesale market funding and investment and liquidity portfolios. In investment activities, a change in interest rates results in market risk through a change in the market prices of the securities. Currency risk refers to the effect of changes in foreign exchange rates on earnings or own funds. Equity risk refers to effects on earnings due to changes in the market prices of, for example, public equities and fund units. Commodity risk refers to the risk of losses due to changes in commodity prices.

4.2.1 Management of market risk

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

The Boards of Directors of the member credit institutions confirm market risk management guidelines in accordance with the market risk strategy of the central institution. The process for managing a member credit institution's capital adequacy is a key part of the process for determining the risk capacity and appetite related to investing activities. The taking of market risk has been limited within the amalgamation with regard to trading, interest rate risk, equity risk, currency risk, derivative contracts, structured products and commodity risk. Taking commodity risk is not allowed. The member credit institutions of the amalgamation do not engage in trading for own or customers' account, and the member credit institutions do not have a separate trading book.

The currency risk related to the Group's operations is low. Currency risk is not taken at all in lending; all loans are granted in euros. Currency risk may arise to a small extent mainly from mutual fund holdings in the investment portfolio and covering transactions related to the central credit institution's international payments. The member credit institutions may only make direct investments in other currencies with a permission from the central institution's risk management function. The use of derivatives is limited to hedging purposes only.

4.2.2 Interest rate risk in the banking book

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

Interest rate risk in the amalgamation and its member credit institutions is monitored using the net present value method and the net interest income model. The net present value method measures how changes in interest rates change the calculated market value of balance sheet items. In the net present value method, the market values of each balance sheet item are expected to be formed as the present value of the cash flows generated by the instrument in question. The net interest income model predicts the future net interest income as market interest rates change. The net interest income forecast is calculated at the reporting date using forward interest rates available in the market for the following five years. The amount of interest rate risk taken is assessed with the effect of diverse interest rate shocks on the net interest income and net present value. The effect of early loan prepayments and the behaviour of non-maturity deposits have been considered in the analysis. The possibility to use zero floor as reference rate to most of granted loans will reduce substantially the amalgamations exposure towards declining market reference rates.

Interest rate risk is managed primarily by planning the balance sheet structure, such as the interest rate fixing or maturity of assets and liabilities or alternatively by using interest rate derivatives for hedging purposes. The amalgamation does not have derivative contracts outstanding.

The amalgamation's interest rate risk is managed by applying the risk limits issued by the central institution's Board of Directors for net interest income and changes in the present value of the balance sheet. The objective of interest rate management is to stabilise the interest rate risk involved in the amalgamation's balance sheet at a level where business is profitable but the income or capital adequacy of the amalgamation is not compromised even in the event of strong changes in the interest rate environment.

THE INTEREST RATE SENSITIVITY ANALYSIS OF THE BANKING BOOK

Impact to interest margin (EUR 1,000)	Change	31 Dec 2021 1-12 mo.	31 Dec 2020 1-12 mo.
Interest rate risk	+1%-point	12,656	13,070
Interest rate risk	-1%-point	-5,963	-9,723

The interest rate risk calculations present interest rate sensitivity concerning the impact of a change of 1 per cent at the time of reporting on net interest income for the following financial year and.

4.2.3 Investment and liquidity portfolio

The investment and liquidity portfolio of the amalgamation consists of securities and other investments included in the liquidity reserves of the central and member credit institutions. Market risk emerges in these investment activities, consisting of counterparty, interest rate, currency and general market price risks.

Member credit institutions can invest their liquidity surplus after the internal target limit of the liquidity buffer has been reached. The member credit institutions' objective in investing in securities is to obtain a competitive return on investment in terms of yield/risk ratio on a long-term perspective.

Risks arising from the investment and liquidity portfolio are managed by limits defined for the amalgamation, which ensures the diversification of investments in terms of timing, asset category, risk type and counterparty. Investment risks are also monitored through sensitivity analysis. The purpose of the limitation is that the price volatility of investment portfolio will not threaten the capital adequacy or profitability of the member credit institution or the entire amalgamation.

Risk appetite in the investment portfolio is assessed in relation to the earnings and own funds of the amalgamation. The breakdown and sensitivity analysis of investment assets at Group level are described in Note 21 Investment Assets.

4.3 LIQUIDITY RISKS

Liquidity risk refers to the capability of the POP Banks' amalgamation and its individual member credit institution to meet their commitments. Liquidity risk can be divided into short-term liquidity risk and long-term structural funding risk. Short-term liquidity risk refers to a situation in which an entity cannot without difficulty fulfil its liabilities to pay. Structural funding risk is a risk related to the availability and price of refinancing which arises when the maturities of receivables and liabilities differ from each other. Funding risk also arises if receivables and liabilities are concentrated on individual counterparties to too high a degree.

4.3.1 Management of liquidity risk

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

The executive management of the central credit institution is responsible for coordinating the implementation of the liquidity strategy at the amalgamation level, and it monitors and supervises the liquidity strategy implemented by the member credit institutions. The central credit institution coordinates the payment transactions of the member credit institutions and the acquisition and balancing of liquidity in the amalgamation. The task of the amalgamation's independent risk control function is to supervise and monitor the liquidity risk.

The central credit institution reports on the liquidity situation to the Board of Directors of the central credit institution and is responsible for the planning of the liquidity position and funding of the amalgamation. The Board of Directors of the central credit institution is responsible for monitoring the implementation of the liquidity strategy at the central credit institution.

4.3.2 Short-term liquidity risk

The liquidity management of the amalgamation follows the principles set out in the liquidity strategy, which aims to limit risk through a diversified financial structure. The most important means of securing a good liquidity position are maintaining a sufficient and high-quality liquidity reserve and diversifying funding sources. Intra-day liquidity, liquidity reserve and liquidity coverage ratio are the key means to limit and measure the liquidity risk of the amalgamation. The internal limits and controls of the amalgamation limits the liquidity risk associated with the business activities of the amalgamation and the member credit institutions and ensure that the regulatory requirements related to liquidity risk are met.

The key ratios for measuring short-term liquidity risk is the liquidity coverage ratio (LCR), specified in the EU's Capital Requirements Regulation and The Net Stable Funding Ratio (NSFR). LCR measures short-term liquidity risk and is responsible for ensuring that the liquidity reserve, consisting of good quality assets under LCR regulation, is sufficient to cover outflow net cash flows in stress situations for 30 days. The NSFR measures the reconciliation of assets and liabilities on the balance sheet with maturity more than one year and is responsible for ensuring that long-term lending is adequately funded by long-term funding.

LCR AND NSFR RATIOS

(per cent)	31 Dec 2021	30 Jun 2021	31 Dec 2020
LCR	141	176	191
NSFR	130	133	148

The central institution of amalgamation applies a permission by the Finnish Financial Supervisory Authority to decide that the requirements laid down in the sixth part of the EU Capital Requirements Regulation and EU's statutory orders based on the Regulation are not applied to its member credit institutions. According to the permission, the regulatory requirements for liquidity risk are met at the amalgamation level only. The central credit institution is responsible for meeting the regulatory requirements.

The liquidity reserve of the amalgamation consists of high-quality assets in accordance with the EU Capital Requirements Regulation, which can meet the liquidity need in stress situations either by selling the securities or by pledging them as collateral for central bank funding. At the end of 2021, the non-pledged financial assets and cash included in the primary liquidity reserve were in total of EUR 549,1 (758,6) million.

LIQUIDITY RESERVE, MARKET VALUE

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Cash and deposits with central banks	279,882	391,544
Government bonds	29,084	40,557
Debt securities issued or guaranteed by municipalities or the public sector	103,754	146,384
Covered bonds	19,799	17,480
Debt securities issued by financial institutions or corporates	51,903	95,489
Other liquid assets*	64,736	67,214
Total	**549,159**	**758,668**

* item include deposit repayable on demand 23 454 (18 662) and minimun reserve deposit 39 454 (37 040)

In addition to the liquidity reserve, the member credit institutions of the amalgamation have various investment securities as other instruments, such as funds and debt securities in the amount of EUR 158.3 (158.6) million. These investment assets are not included in the primary liquidity reserve due to their liquidity in stressed situations involves uncertainty.

The amalgamation's central credit institution supervises the intra-day liquidity coverage by monitoring the balances of the payment accounts of the member credit institutions. The member credit institutions follow continuously their intra-day liquidity position.

4.3.3 Structural funding risk

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

The table below shows the maturities of the amalgamation's liabilities with interests. Instant deposits are assumed to mature immediately.

MATURITY OF FINANCIAL LIABILITIES 31 DEC 2021

(EUR 1,000)	less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities to central banks	-	50,000	78,400	-	128,400
Liabilities to credit institutions	1,483	8,000	28,603	-	38,085
Liabilities to customers	4,144,760	71,930	10,596	-	4,227,286
Lease liabilities	438	1,264	2,124	610	4,436
Debt securities issued	-	130,188	155,319	-	285,507
Total	**4,146,681**	**261,382**	**275,042**	**610**	**4,683,714**

MATURITY OF FINANCIAL LIABILITIES 31 DEC 2020

(EUR 1,000)	less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities to central banks	-	-	50,000	-	50,000
Liabilities to credit institutions	6,995	5,030	47	35,147	47,219
Liabilities to customers	3,741,884	248,293	98,253	-	4,088,430
Lease liabilities*	491	1,465	2,453	766	5,174
Debt securities issued	24,998	36,437	204,911	-	266,346
Total	**3,774,369**	**291,224**	**355,663**	**35,913**	**4,457,169**

*The presentation of the comparison period has been changed by adding the maturity of lease liabilities.

4.4 REAL ESTATE RISK

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

Owner-occupied properties are recognized under property, plant and equipment and investment properties under investment assets on the balance sheet. Both properties used by member credit institutions of the amalgamation and investment properties are measured at acquisition cost less depreciation and impairment in the financial statements. The value of real estate assets is moderate compared to the balance sheet and own funds of the amalgamation. The balance sheet value of investment properties accounted for 0.5 (0.6) per cent of the balance sheet.

4.5 OPERATIONAL RISKS

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

The Board of Directors of the central institution approves the principles of operational risk management and the key guidelines concerning operational risk. The target level for risks are limited.

Certain operational risks are covered with insurance coverage. Risks caused by malfunctions of information systems are prepared for by continuity planning.

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

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

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

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

The Financial Supervisory Authority imposed a penalty payment of EUR 680 thousand on POP Bank Centre coop and a public warning for breaches of the obligation to control and supervise the operational risks of the amalgamation. The findings were based on an inspection conducted by the Financial Supervisory Authority in April 2019. POP Bank Centre coop had started significant improvement actions prior the inspection and increased resources in risk management as well as developed the procedures of controlling operational risks.

4.6 STRATEGIC RISK

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

Strategic risks are minimized by means of regular updates of strategic and annual plans. Analyses of the condition and development of the POP Bank Group, as well as other analyses and estimates concerning the development of the sector, competition and financial operating environment are utilized in the planning.

5. INSURANCE RISKS

5.1 GENERAL PRINCIPLES OF RISK MANAGEMENT

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

The Board of Directors of Finnish P&C Insurance Ltd is responsible for the organisation of risk management. The Board of Directors annually approves a risk management plan that contains the main outlines on the company's risk management and a description of the company's risk profile. The Own Risk and Solvency Assessment (ORSA) is an essential part of risk management, and the company uses it to maintain a view of its capital needs in the long and medium term.

When organizing risk management, particular attention is paid to the company's strategic choices, objectives of insurance and investment activities and capital adequacy. The appropriate organization of risk management is supported e.g. by internal control as a whole, investment plan, continuity plan related to data security, the company's internal monitoring and reporting mechanisms and internal audit.

5.2 ORGANISATION, RESPONSIBILITY AND SUPERVISION OF RISK MANAGEMENT

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

5.3 RISK MANAGEMENT PROCESSES AND RISKS

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

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

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

5.4 RISK MANAGEMENT REPORTING

Risks are reported to the Board of Directors in accordance with the practices recorded in the risk management plan and strategy. An extensive survey of risks is reviewed annually by a meeting of the Board of Directors in connection with the review of the risk management plan. The Board of Directors approves the company's Own Risk and Solvency Assessment (ORSA). The Board of Directors regularly receives reports on the company's finances, business operations, solvency and investment activities.

5.5 INSURANCE RISKS

5.5.1 Specification of risks and risk management strategy

The policyholder transfers the insured risk to the insurer with the insurance contract. The claims incurred of Finnish P&C Insurance Ltd is composed of the number and extent of losses indemnified from the insured risks and their random variation. The claims incurred are further divided into losses arising from property risk and personnel risk. The most significant insurance risks are associated with the pricing of insurance policies, subscription of insurance policies (customer and risk selection) and sufficiency of the technical provisions.

In particular, the pricing risk of insurance policies is linked to the accurate basic pricing of motor vehicle insurance. The risk is prepared for by monitoring the profitability of operations, risk-based pricing and by enabling a technically and process-wise flexible pricing system. The functioning of customer and risk selection is continuously monitored, and changes are made to the guidelines as necessary. The risk level is kept moderate, and customer selection is also guided with targeted pricing changes. The sufficiency risk of technical provisions is particularly associated with the development of the loss ratio of motor vehicle insurance and personal injuries with significant costs indemnified based on traffic insurance. The bases of determination of the technical provisions is specified in the technical provision calculation bases. The technical provision calculation bases have been determined in a securing way. The calculation bases are assessed annually and amended, if necessary. In addition, the effect of individual losses has been restricted through excess-of-loss reinsurance contracts covering the company's entire product portfolio.

5.5.2 Risk management processes

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

5.5.3 Actuarial assumptions

The bases of calculation used by Finnish P&C Insurance Ltd. with justifications are reviewed annually and submitted to the Financial Supervisory Authority by the end of the financial year. Approval for the calculation principles of the equalisation provisions will be sought from the Financial Supervisory Authority.

The portion of premiums written for the post-balance sheet date for which future expenses are expected is recorded as a provision for unearned premiums. An additional premium is also added to the provision for unearned premiums.

Claims unsettled on the balance sheet date for losses already occurred and their settlement expenses – including claims incurred but not yet reported – are reserved in the provision for unpaid claims. An additional premium is also added to the provision for unpaid claims.

The provision for unearned premiums ceded to reinsurers is calculated similarly to the direct insurer's share. The reinsurer's portion of insurance contract liabilities does not include an additional premium.

5.5.4 Quantitative information about insurance risks

Technical provisions totalled EUR 52,692 (43,915) thousand at the end of the financial year.

PREMIUMS EARNED FOR THE FINANCIAL YEAR, CLAIMS INCURRED AND TECHNICAL PROVISIONS 31 DECEMBER 2021

(EUR 1,000)	Gross	Ceded to reinsurers	Retained
Premiums earned	47,614	1,856	45,758
Claims incurred	34,792	2,226	32,566
Provision for unearned premiums	20,205	-	20,205
Provision for claims outstanding	43,464	10,977	32,488

PREMIUMS EARNED FOR THE FINANCIAL YEAR, CLAIMS INCURRED AND TECHNICAL PROVISIONS 31 DECEMBER 2020

(EUR 1,000)	Gross	Ceded to reinsurers	Retained
Premiums earned	44,295	1,158	43,137
Claims incurred	36,438	4,912	31,526
Provision for unearned premiums	19,813	-	19,813
Provision for claims outstanding	36,370	12,268	24,102

5.6 INVESTMENT RISKS

5.6.1 Specification of risks and risk management strategy

The purpose of the investment activities of Finnish P&C Insurance Ltd. is to secure the company's capital and to obtain a reasonable return on the defined investment horizon. Investment activities should not risk company profitability, solvency and liquidity.

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

5.6.2 Risk management processes

The Board of Directors of Finnish P&C Insurance Ltd. annually confirms the investment plan specifying the investment categories, return objectives, currency restrictions, liquidity objectives, maintenance of investment assets and authorities. Investment activities are the responsibility of the person responsible for investments within the organisation, who is a subordinate of the Managing Director. The management of the investment portfolio has been outsourced to an external treasurer. Investment decisions are made by the Board of Directors, Managing Director, manager responsible for investments and treasurer within their mandate. The mandate of the portfolio manager is specified in a written agreement. The portfolio manager regularly reports to the company.

5.6.3 Quantitative information about the risk structure of the investment portfolio

At the end of 2020, investment assets including cash at bank totalled EUR 63.0 (53.3) million at fair value. Only liquid euro-denominated direct and indirect interest rate instruments, indirect equity investments, indirect property and capital investments and deposits were used in the investments.

Fixed income investments were allocated to money market funds, bonds issued by credit institutions and companies and bank deposits. At the end of the year, the average maturity of fixed income investments was 1.9 (1.9) years.

The breakdown and sensitivity analysis of investment assets at group level is described in Note 21 Investment assets.

5.7 LIQUIDITY RISKS

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

5.8 OPERATIONAL RISKS

5.8.1 Specification of risks and risk management strategy

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

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

5.8.2 Risk management processes

Operational risks are surveyed as part of Finnish P&C Insurance Ltd.'s risk management process described above. The management of operational risks is supported through internal control and occupational health and safety measures. The reporting and monitoring models make it possible to observe an increase in the probability or effect of risks. Risks related to the company's IT systems and technical solutions have been prepared, for example, by documenting the IT practices and preparing a continuity plan. A 24-hour on call and alarm practice ensures swift reaction in emergencies.

5.8.3 Key operational risks

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

IT security risks are an integral part of operational risks. Examples of possible IT risks include possible service attacks or other attempts to prevent or interfere with the company's online business.

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

5.9 KEY OTHER RISKS

Other risks herein refer to all identified risks that have not been specifically mentioned above. Other risks are included in the scope of the company's risk management process and other key risks include strategic risks. The other instance is that the business environment quickly changes in a way that the company has not prepared for in its strategy. The coronavirus pandemic that began in the spring changed the operating environment in many respects, but it did not have a significant impact on insurance operations. At the beginning of the pandemic, premium income decreased, but towards the end of the year the situation began to recover. The reduced volume of movement of people and tourism was reflected in a slowdown in both claims' growth and insurance portfolio growth. As the company operates digitally and the teleworking capabilities have been good, the pandemic did not have a major impact on operational activities.

NOTE 5 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, POP Bank Centre coop and POP Newco Oyj.

POP BANK GROUP'S OPERATING SEGMENTS 2021

INCOME STATEMENT 1 JANUARY – 31 DEC 2021

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Interest income	77,695	655	**78,350**	-13	**78,338**
Net commissions and fees	36,813	-396	**36,417**	-91	**36,326**
Net investment income	8,502	1,654	**10,156**	-128	**10,028**
Insurance income	-	13,192	**13,192**	-	**13,192**
Other operating income	38,716	523	**39,239**	-879	**38,360**
Total operating income*	**161,725**	**15,629**	**177,354**	**-1,111**	**176,243**
Personnel expenses	-34,796	-7,797	**-42,593**	-8,062	**-50,655**
Other operating expenses	-64,576	-687	**-65,263**	9,799	**-55,464**
Depreciation and amortisation	-11,568	-2,126	**-13,694**	-1,389	**-15,083**
Total operating expenses	**-110,940**	**-10,610**	**-121,551**	**348**	**-121,203**
Impairment losses on financial assets	-10,356	-34	**-10,390**	-	**-10,390**
Associate´s share of profits	-	-	**-**	19	**19**
Profit before tax	**40,428**	**4,985**	**45,413**	**-743**	**44,670**
Income tax expense	-7,414	-	**-7,414**	-151	**-7,565**
Profit for the financial period	**33,015**	**4,985**	**37,999**	**-895**	**37,105**
*External share of total operating income	161,725	15,629	**177,354**		
*Internal share of total operating income	1,174	-	**1,174**		

BALANCE SHEET 31 DEC 2021

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Assets					
Liquid assets	279,882	-	**279,882**	-	**279,882**
Loans and advances to credit institutions	67,993	8,243	**76,237**	-2,340	**73,897**
Loans and advances to customers	4,245,716	-	**4,245,716**	-1,887	**4,243,829**
Investment assets	725,603	71,656	**797,259**	-115,707	**681,552**
Investments in associates	-	-	**-**	214	**214**
Intangible assets	2,529	4,098	**6,627**	2,671	**9,298**
Property, plant and equipment	28,520	480	**29,000**	611	**29,611**
Other assets	21,478	12,378	**33,856**	157	**34,014**
Tax assets	3,389	374	**3,763**	1,638	**5,401**
Total assets	**5,375,111**	**97,229**	**5,472,340**	**-114,643**	**5,357,697**
Liabilities					
Liabilities to credit institutions	184,002	-	**184,002**	-17,518	**166,484**
Liabilities to customers	4,227,799	-	**4,227,799**	-5,435	**4,222,364**
Non-life insurance liabilities	-	52,692	**52,692**	-	**52,692**
Debt securities issued to the public	284,920	-	**284,920**	-	**284,920**
Supplementary cooperative capital	-	-	**-**	-	**-**
Other liabilities	38,592	7,637	**46,228**	3,831	**50,060**
Tax liabilities	27,542	509	**28,050**	317	**28,367**
Total liabilities	**4,762,855**	**60,838**	**4,823,693**	**-18,805**	**4,804,888**

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
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**	-381	**1,298**
Insurance income	-	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**	**-892**	**123,959**
Personnel expenses	-30,711	-6,895	**-37,606**	-5,925	**-43,531**
Other operating expenses	-59,114	-1,100	**-60,214**	8,235	**-51,978**
Depreciation and amortisation	-4,379	-2,027	**-6,405**	-1,736	**-8,141**
Total operating expenses	**-94,203**	**-10,022**	**-104,225**	**575**	**-103,650**
Impairment losses on financial assets	-7,445	-23	**-7,468**	-	**-7,468**
Associate´s share of profits	-	-	**-**	78	**78**
Profit before tax	**10,788**	**2,448**	**13,236**	**-239**	**12,919**
Income tax expense	-1,997	101	**-1,896**	79	**-1,817**
Profit for the financial period	**8,791**	**2,549**	**11,340**	**-160**	**11,101**
*External share of total operating income	112,436	12,493	**124,929**		
*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 advances to credit institutions	60,547	5,617	**66,164**	-1,998	**64,166**
Loans and advances to 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	-	-	**-**	195	**195**
Intangible assets	8,089	4,763	**12,852**	2,344	**15,196**
Property, plant and equipment	30,621	794	**31,415**	723	**32,138**
Other assets	21,401	11,589	**32,990**	44	**33,034**
Tax assets	3,477	193	**3,670**	1,438	**5,108**
Total assets	**5,113,521**	**80,656**	**5,194,177**	**-95,778**	**5,098,398**
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 has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2.

NOTES TO INCOME STATEMENT

NOTE 6 NET INTEREST INCOME

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Interest Income		
Loans and advances to credit institutions	0	6
Loans and advances to customers	77,053	75,072
Debt securities		
At amortised cost	779	494
At fair value through profit or loss	412	267
At fair value through other comprehensive income	3,097	3,369
Other interest income	2,538	883
Total interest income	**83,879**	**80,090**
Of which negative interest expense	1,640	10
Interest expenses		
Liabilities to credit institutions	-631	-373
Liabilities to customers	-3,072	-4,016
Debt securities issued to the public	-1,217	-1,246
Other interest expenses	-622	-356
Total interest expenses	**-5,541**	**-5,991**
Of which negative interest income	-1,129	-647
Net interest income	**78,338**	**74,099**
Interest income from financial assets impaired due to credit risk (stage 3)	2,685	2,951

Income and expenses of financial assets and financial liabilities by measurement category are presented in Note 15.

NOTE 7 NET COMMISSIONS AND FEES

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Commissions and fees		
Lending	8,578	7,418
Deposits	206	225
Payment transfers	21,667	18,472
Legal services	2,317	2,233
Intermediated services	3,598	3,226
Issuing guarantees	534	487
Funds	3,509	2,788
Other commission income	1,153	891
Total commissions and fees	**41,564**	**35,740**
Commissions expenses		
Payment transfers	-4,444	-4,156
Other commission expenses	-794	-535
Total commission expenses	**-5,238**	**-4,691**
Net commissions and fees	**36,326**	**31,049**

Commisisons and fees are mainly accrued from the banking segment.

NOTE 8 NET INVESTMENT INCOME

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
At fair value through profit or loss		
Debt securities		
Capital gains and losses	-68	71
Fair value gains and losses	-916	-825
Shares and participations		
Dividend income	3,569	4,346
Capital gains and losses	-76	-1,344
Fair value gains and losses	9,218	382
Total	**11,726**	**2,630**
At fair value through other comprehensive income		
Debt securities		
Capital gains and losses	-21	-73
Transferred from fair value reserve to the income statement	-10	-1,102
Shares and participations		
Dividend income	23	9
Total	**-7**	**-1,166**
Net income from foreign exchange trading	**370**	**441**
Net income from investment property		
Rental income	2,747	2,854
Capital gains and losses	160	-187
Other income from investment property	209	110
Maintenance charges and expenses	-2,065	-2,265
Depreciations and amortisation of investment property	-3,103	-1,107
Other expenses from investment property	-9	-13
Total	**-2,062**	**-607**
Net income investments total	**10,028**	**1,298**

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

NOTE 9 NET INSURANCE INCOME

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Insurance premium revenue		
Premiums written	48,006	46,046
Ceded to reinsurers	-1,856	-1,158
Change in the provision for unearned premiums	-392	-1,752
Total	**45,758**	**43,137**
Claims incurred		
Claims paid	-27,697	-28,827
Ceded to reinsurers	3,517	858
Change in provision for unpaid claims	-7,094	-7,611
Ceded to reinsurers	-1,291	4,054
Total	**-32,566**	**-31,526**
Net insurance Income	**13,192**	**11,611**

INSURANCE CATEGORY-SPECIFIC INFORMATION

(EUR 1,000)		Premiums written before share ceded to reinsurers	Insurance premium revenue before share ceded to reinsurers	Claims incurred before share ceded to reinsurers	Operating expenses before reinsurers' commissions and shares of profit	Ceded to reinsurers	Balance on technical account before change in equalisation provisions
Other accident and health	2021	1,625	1,600	-836	-328	-21	415
	2020	1,671	1,717	-883	-366	-19	449
	2019	2,003	2,132	-2,020	-551	-21	-460
Motor vehicle	2021	22,020	21,230	-18,425	-4,347	457	-1,086
	2020	21,865	21,210	-21,012	-4,526	3,817	-510
	2019	22,669	22,417	-18,148	-5,792	3,033	1,509
Land vehicles	2021	16,660	16,680	-11,513	-3,415	-44	1,708
	2020	15,610	14,752	-11,231	-3,148	-30	344
	2019	14,729	13,346	-11,013	-3,448	-21	-1,136
Vessels, aircraft, rail stock and transport	2021	608	617	-404	-126	-2	85
	2020	602	583	-429	-124	-1	28
	2019	642	599	-583	-155	-1	-140
Fire and other property loss	2021	5,357	5,826	-2,880	-1,193	-16	1,738
	2020	4,914	4,865	-2,236	-1,038	-10	1,581
	2019	4,708	3,876	-2,910	-1,001	-6	-42
Third party	2021	460	448	-96	-92	-1	259
	2020	371	345	-89	-74	-1	182
	2019	291	328	-96	-85	-1	147
Legal expenses	2021	1,122	1,070	-572	-219	-3	276
	2020	849	648	-427	-138	-1	81
	2019	506	470	-566	-121	-1	-218
Other	2021	154	142	-64	-29	0	48
	2020	166	173	-131	-37	0	4
	2019	239	262	-163	-68	0	31
Direct insurance total	**2021**	**48,006**	**47,614**	**-34,792**	**-9,749**	**370**	**3,443**
	2020	**46,046**	**44,294**	**-36,438**	**-9,452**	**3,755**	**2,159**
	2019	**45,787**	**43,430**	**-35,500**	**-11,221**	**2,982**	**-308**

		Premiums written before share ceded to reinsurers	Insurance premium revenue before share ceded to reinsurers	Claims incurred before share ceded to reinsurers	Operating expenses before reinsurers' commissions and shares of profit	Ceded to reinsurers	Balance on technical account before change in equalisation provisions
Reinsurers	2021	-	-	-	-	-	-
	2020	-	-	-	-	-	-
	2019	-	-	-	-	-	-
TOTAL	**2021**	**48,006**	**47,614**	**-34,792**	**-9,749**	**370**	**3,443**
	2020	**46,046**	**44,294**	**-36,438**	**-9,452**	**3,755**	**2,159**
	2019	**45,787**	**43,430**	**-35,500**	**-11,221**	**2,982**	**-308**
Total	2021	-	-	-	-	-	-
	2020	-	-	-	-	-	-
	2019	-	-	-	-	-	-
Change in equalization provision	2021						1
	2020						0
	2019						0
BALANCE ON TECHNICAL ACCOUNT	**2021**						**3,443**
	2020						**2,159**
	2019						**-308**

The Insurance category-specific information are reported by Finnish accounting standards and cannot be reconciled with the IFRS figures for insurance operations.

NOTE 10 OTHER OPERATING INCOME

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Rental income from owner-occupied properties	532	534
Capital gains on owner-occupied properties	96	177
Recognition of Deposit Guarantee Fund contribution and previously paid bank tax	4,541	3,591
Other income	33,191	1,601
Total other operating income	**38,360**	**5,902**

The fee collected by the Financial Stability Board for deposit guarantee purposes will be covered with payments made to the old Deposit Guarantee Fund pursuant to the Credit Institutions Act. Contributions paid to the old fund are recognised as income when the old fund makes a payment to the new fund and the same amount of contribution is recognised in other operating expenses. Stability contribution collected by the Financial Stability Board is fully covered by previously paid bank tax.

In June 2021, the POP Bank Group and Oy Samlink Ab decided to terminate the agreement they had signed in 2019 on the reform of the core banking system. Oy Samlink Ab paid compensation to the POP Bank Group for terminating the agreement. Other income includes non-recurring items of EUR 31,671 thousand related to the termination of the agreement.

NOTE 11 PERSONNEL EXPENSES

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Wages and salaries	-41,827	-36,446
Indirect personnel expenses	-1,267	-1,014
Pension expenses	-7,561	-6,071
Total personnel expenses	**-50,655**	**-43,531**

Remuneration to related parties is presented in Note 38. Other information about remuneration is presented in Note 3 Governance and management.

NOTE 12 OTHER OPERATING EXPENSES

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Other administrative expenses		
Other personnel expenses	-3,003	-2,351
Office expenses	-6,065	-5,998
ICT expenses	-24,192	-23,830
Telecommunications	-3,301	-3,540
Entertainment and marketing expenses	-4,379	-4,328
Other expenses	-220	-130
Other administrative expenses total	**-41,161**	**-40,178**
Other operating expenses		
Rental expenses	-1,537	-1,420
Expenses arising from owner-occupied properties	-3,450	-3,188
Insurance and security expenses	-5,403	-4,401
Audit fees	-496	-478
Other services	-1,136	-1,105
Other operating expenses	-2,280	-1,208
Other operating expenses total	**-14,303**	**-11,801**
Total other operating expenses	**-55,464**	**-51,978**
Audit fees		
Statutory audit	-381	-338
Audit-related services	-23	-26
Tax advisory	-1	0
Other expert services	-91	-114
Total audit fees	**-496**	**-478**

Rental expenses include the expenses of short-term and low-value leases.

Insurance and security expenses include EUR 3,646 (3,062) thousand of contribution collected by the Financial Stability Board for the deposit guarantee fund, which is fully covered by payments accounted for from the old Deposit Guarantee Fund, and a stability contribution of EUR 895 (528) thousand, which is fully covered by previously paid bank tax. Contributions from the old Deposit Guarantee Fund and previously paid bank tax recognised as income are presented in other operating income.

Other than audit services from KPMG Oy Ab to companies in POP Bank Group totalled to EUR 101 (121) thousand during the finacial year 2021.

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2. Releasement of expenses classified as prepayment increased other operating expenses and reduced amortisations of intangible assets.

NOTE 13 DEPRECIATION, AMORTISATION AND IMPAIRMENT

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Depreciation and amortisation		
Buildings	-3,441	-3,431
Machinery and equipment	-850	-966
Intangible assets	-3,876	-3,735
Other	-6	-9
Total	**-8,173**	**-8,141**
Impairment		
Buildings	-1,234	-
Intangible assets	-5,675	-
Total	**-6,909**	**-**
Total depreciation, amortisation and impairment	**-15,083**	**-8,141**

More detailed information about right-off-use asetts is provided in Note 36.

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2. Releasement of expenses classified as prepayment increased other operating expenses and reduced amortisations of intangible assets.

NOTE 14 INCOME TAX

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Current tax	-6,499	-2,003
Tax for prior financial years	-82	92
Other direct taxes	-4	-11
Change in deferred taxes	-981	103
Total income tax expense	**-7,565**	**-1,817**

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2.

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

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Profit before tax	44,670	12,919
Income tax rate	20 %	20 %
Tax calculated at the tax rate	-8,934	-2,584
+ Tax-exempt income	14	267
- Non-deductible expenses	-170	-182
+ Deductible expenses not included in the profit	745	30
+ Use of tax losses carried forward from previous years	1,053	571
- Deferred tax assets not recognised on losses	-189	-24
+/- Difference due to the differing tax rate of foreign companies	-4	11
+/- Other	-	2
+/- Tax for prior financial years	-82	92
Tax expense in the income statement	**-7,565**	**-1,817**

NOTE 15 NET INCOME AND EXPENSES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Financial assets		
At fair value through profit or loss		
Interest income and expenses	412	267
Fair value gains and losses	8,302	-443
Dividend income	3,569	4,346
Capital gains and losses	-144	-1,273
Total	**12,138**	**2,896**
At fair value through other comprehensive income		
Interest income and expenses	3,097	3,369
Transferred from fair value reserve to the income statement	-10	-1,102
Dividend income	23	9
Capital gains and losses	-21	-73
Expected credit loss	1,755	-1,537
Total	**4,844**	**666**
At amortised cost		
Interest income and expenses	77,833	76,454
Other income	8,784	7,643
Expected credit loss	-4,104	1,360
Final credit losses	-8,044	-7,291
Total	**74,468**	**78,167**
Financial liabilities		
At amortised cost		
Interest income and expenses	-3,812	-5,991
Total	**-3,812**	**-5,991**
Net income from foreign exchange operation	**370**	**441**
Total	**88,009**	**76,180**

NOTES TO ASSETS

NOTE 16 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS 31 DECEMBER 2021

(EUR 1,000)	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Expected credit loss	Total carrying amount
Liquid assets	279,882	-	-	-	279,882
Loans and advances to credit institutions	73,897	-	-	-1	73,897
Loans and advances to customers	4,280,352	-	-	-36,523	4,243,829
Debt securities*	105,000	9,290	340,590	-38	454,842
Shares and participations	-	197,000	3,724	-	200,724
Financial assets total	**4,739,132**	**206,290**	**344,314**	**-36,561**	**5,253,174**
Other assets					104,523
Total assets at 31 Dec 2021					**5,357,697**

*Expected credit loss of EUR 1,385 thousand from debt securities have been recorded in the fair value reserve.

FINANCIAL ASSETS 31 DECEMBER 2020

(EUR 1,000)	At amortised cost	At fair value through profit or loss	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					116,364
Total assets at 31 Dec 2020					**5,098,398**

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

FINANCIAL LIABILITIES 31 DECEMBER 2021

(EUR 1,000)	At amortised cost	Total carrying amount
Liabilities to credit institutions	166,484	**166,484**
Liabilities to customers	4,222,364	**4,222,364**
Debt securities issued to the public	284,920	**284,920**
Financial liabilities total	**4,673,768**	**4,673,768**
Other than financial liabilities		**131,119**
Total liabilities at 31 Dec 2021		**4,804,888**

FINANCIAL LIABILITIES 31 DECEMBER 2020

(EUR 1,000)	At amortised cost	Total carrying amount
Liabilities to credit institutions	97,219	**97,219**
Liabilities to 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**

NOTE 17 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES AND FAIR VALUES BY VALUATION TECHNIQUE

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECURRENTLY RECOGNISED AT FAIR VALUE

ITEMS RECURRENTLY MEASURED AT FAIR VALUE 31 DECEMBER 2021

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
At fair value through profit or loss				
Shares and participations	187,498	-	9,502	197,000
Debt securities	3,024	-	6,266	9,290
At fair value through other comprehensive income				
Shares and participations	-	-	3,724	3,724
Debt securities	242,288	98,206	95	340,590
Total	**432,810**	**98,206**	**19,587**	**550,604**

ITEMS RECURRENTLY MEASURED AT FAIR VALUE 31 DECEMBER 2020

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
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**

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECOGNIZED AT AMORTISED COST

ASSETS MEASURED AT AMORTISED COST 31 DECEMBER 2021

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Loans and advances to credit institutions	-	74,080	-	74,080	73,897
Loans and advances to customers	-	4,314,310	-	4,314,310	4,243,829
Debt securities	-	108,056	-	108,056	104,962
Investment property	-	-	40,653	40,653	25,986
Total	**-**	**4,496,446**	**40,653**	**4,537,099**	**4,448,674**

LIABILITIES MEASURED AT AMORTISED COST 31 DECEMBER 2021

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Liabilities to credit institutions	-	165,926	-	165,926	166,484
Liabilities to customers	-	4,220,011	-	4,220,011	4,222,364
Debt securities issued to the public	-	289,850	-	289,850	284,920
Total	**-**	**4,675,788**	**-**	**4,675,788**	**4,673,768**

ASSETS MEASURED AT AMORTISED COST 31 DECEMBER 2020

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Loans and advances to credit institutions	-	64,358	-	64,358	64,166
Loans and advances to customers	-	3,986,180	-	3,986,180	3,868,147
Debt securities	-	106,495	-	106,495	104,959
Investment property	-	-	45,015	45,015	30,692
Total	**-**	**4,157,032**	**45,015**	**4,202,048**	**4,067,964**

LIABILITIES MEASURED AT AMORTISED COST 31 DECEMBER 2020

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Liabilities to credit institutions	-	98,127	-	98,127	97,219
Liabilities to customers	-	4,074,582	-	4,074,582	4,086,045
Debt securities issued to the public	-	270,944	-	270,944	266,346
Supplementary cooperative capital	-	11,287	-	11,287	11,287
Total	**-**	**4,454,940**	**-**	**4,454,940**	**4,460,896**

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 in Financial statements.

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 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 672 (1,314) thousand have been transferred from hierarchy level 1 to hierarchy level 3 due to small trading volumes in the markets.

In addition, debt securities issued to the public have been transferred from hierarchy level 3 to hierarchy level 1 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)	At fair value through profit or loss	At fair value through other comprehensive income	Total
Carrying amount 1 Jan 2021	**16,264**	**3,370**	**19,633**
+ Purchases	2,266	169	2,435
- Sales	-258	-247	-504
- Matured during the financial year	-1,424	-376	-1,800
+/- Realised changes in value recognised in income statement	-182	26	-156
+/- Unrealised changes in value recognised in income statement	-637	-	-637
+/- Changes in value recognised in other comprehensive income	-	205	205
+ Transfers from levels 1 and 2	-	672	672
- Transfers to levels 1 and 2	-261	-	-261
Carrying amount 31 Dec 2021	**15,768**	**3,819**	**19,587**

(EUR 1,000)	At fair value through profit or loss	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 statement	-123	-27	**-150**
+/- Unrealised changes in value recognised in income statement	-378	-	**-378**
+/- Changes in value recognised 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**

SENSITIVITY ANALYSIS OF FINANCIAL ASSETS AT LEVEL 3

31 DECEMBER 2021

		Possible effect on equity capital	
(EUR 1,000)	**Carrying amount**	**Positive**	**Negative**
At fair value through profit or loss	15,768	1,488	-1,488
At fair value through other comprehensive income	3,819	560	-560
Total	**19,587**	**2,048**	**-2,048**

31 DECEMBER 2020

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

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%.

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

NOTE 18 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

IMPAIRMENT LOSSES RECORDED DURING THE REPORTING PERIOD

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Change of ECL due to write-offs	4,303	3,540
Change of ECL, receivables from customers and off-balance sheet items	-8,407	-2,143
Change of ECL, debt securities	1,758	-1,574
Final credit losses	-8,044	-7,291
Impairment losses on financial assets total	**-10,390**	**-7,468**

During the financial year, EUR 8,044 (7,291) thousand was recognized as final credit losses. Recollection measures are attributed to EUR 3,012 (2,779) thousand. Credit losses of EUR 3,012 (2,770) thousand were recorded on unsecured consumer loans, which is a significant amount of all credit losses.

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 3.4 Impairment of financial assets of Note 2 POP Bank Group's accounting policies.

RECEIVABLES FROM CUSTOMERS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2021	**5,359**	**3,539**	**23,405**	**32,303**
Transfers to stage 1	162	-1,392	-2,888	-4,119
Transfers to stage 2	-264	1,513	-3,128	-1,879
Transfers to stage 3	-158	-357	7,512	6,997
Increases due to origination	2,509	954	1,541	5,003
Decreases due to derecognition	-1,138	-546	-4,921	-6,606
Changes due to change in credit risk (net)	-1,271	-250	7,647	6,127
Changes due to management estimates	-	500	2,500	3,000
Decreases due to write-offs	-	-	-4,303	-4,303
Total	**-161**	**421**	**3,959**	**4,219**
ECL 31 Dec 2021	**5,199**	**3,960**	**27,363**	**36,523**

The Covid-19 pandemic did not cause increase above normal level of forbearance measures and instalment-free periods granted during the financial year. More detailed information of forbearance measures is provided in Note 4.

The largest change in expected credit losses on receivables from customers comes from transfers to stage 3 that totaled EUR 6,997 (4,681) thousand. Decreases due to derecognition were EUR 6,606 (9,578) thousand. A management judgement based provision of EUR 3,000 (-) thousand was made to the receivables from customers in order to prepare for possible lengthening of Covid-19 pandemic.

DEBT SECURITIES

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2021	**169**	**939**	**2,073**	**3,181**
Transfers to stage 1	5	-206	-	-201
Transfers to stage 2	-1	1,456	-1,680	-225
Increases due to origination	37	271	-	308
Decreases due to derecognition	-32	-305	-	-337
Changes due to change in credit risk (net)	147	0	-	146
Changes due to management estimates	-165	-1,284	-	-1,449
Total	**-9**	**-69**	**-1,680**	**-1,758**
ECL 31 Dec 2021	**160**	**870**	**393**	**1,423**

An additional provision (EUR 1,449 thousand) that was made in the debt securities based on management's judgement on previous financial year has been released during the finanacial year.

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2021	**331**	**138**	**319**	**788**
Transfers to stage 1	7	-104	-49	**-146**
Transfers to stage 2	-5	6	-3	**-1**
Transfers to stage 3	-2	-2	31	**28**
Increases due to origination	263	22	14	**300**
Decreases due to derecognition	-35	-11	-61	**-108**
Changes due to change in credit risk (net)	-145	-7	-37	**-189**
Total	**83**	**-95**	**-104**	**-117**
ECL 31 Dec 2021	**414**	**43**	**215**	**672**

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2021	**5,860**	**4,616**	**25,797**	**36,273**
ECL 31 Dec 2021	**5,772**	**4,874**	**27,971**	**38,617**

RECEIVABLES FROM CUSTOMERS AND OFF-BALANCE SHEET COMMITMENTS

(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**

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**

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	**5,253**	**4,551**	**26,291**	**36,095**
ECL 31 Dec 2020	**5,860**	**4,616**	**25,797**	**36,273**

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**	**2,073**	**3,181**

BALANCE SHEET ITEM BY STAGE 31 DEC 2021

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	2,633,042	124,010	35,143	**2,792,195**
Corporate	783,410	61,363	32,530	**877,303**
Agriculture	523,383	57,919	29,552	**610,854**
Receivables from customers total	**3,939,835**	**243,292**	**97,224**	**4,280,352**
ECL 31 Dec 2021	5,199	3,960	27,363	36,523
Coverage ratio %	0.13 %	1.63 %	28.14 %	0.85 %
Off-balance sheet commitments				
Private	226,773	3,759	441	**230,973**
Corporate	98,302	2,880	578	**101,760**
Agriculture	20,850	2,250	154	**23,254**
Off-balance sheet commitments total	**345,925**	**8,890**	**1,173**	**355,987**
ECL 31 Dec 2021	414	43	215	672
Coverage ratio %	0.12 %	0.48 %	18.29 %	0.19 %
Debt securities				
Banking segment	370,628	23,452	-	**394,081**
Insurance segment	36,915	14,594	-	**51,509**
Debt securities total	**407,544**	**38,046**	**-**	**445,590**
ECL 31 Dec 2021	160	870	393	1,423
Coverage ratio %	0.04 %	2.29 %	-	0.32 %
Credit risk by stages total	**4,693,304**	**290,228**	**98,397**	**5,081,929**

The table above summarizes the exposure to credit risk and the amount of ECL in relation to the amount of the exposure in stages. The coverage ratio illustrates the relative share of the ECL in the amount of exposure. There were no significant changes in the coverage ratio during the period.

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**
ECL 31 Dec 2020	5,360	3,538	23,405	32,304
Coverage ratio %	0.15 %	1.34 %	19.99 %	0.83 %
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**
ECL 31 Dec 2020	331	138	319	788
Coverage ratio %	0.12 %	0.80 %	24.51 %	0.27 %
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**
ECL 31 Dec 2020	169	939	2,073	3,181
Coverage ratio %	0.04 %	2.12 %	46.20 %	0.67 %
Credit risk by stages total	**4,222,843**	**324,904**	**122,873**	**4,670,619**

NOTE 19 LIQUID ASSETS

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Cash	11,011	11,435
Receivables from central banks repayable on demand	268,871	380,108
Total cash and cash equivalents	**279,882**	**391,544**

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

NOTE 20 LOANS AND RECEIVABLES

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Loans and receivables from credit institutions		
Deposits		
Repayable on demand	34,482	23,575
Other	39,415	40,591
Total loans and advances to credit institutions	**73,897**	**64,166**
Loans and advances to customers		
Loans	4,156,555	3,789,800
Loans granted from government funds	1,883	2,637
Guarantees	189	487
Used overdrafts	40,395	37,505
Credit card receivables	44,807	37,717
Total loans and advances to customers	**4,243,829**	**3,868,147**
Total loans and receivables	**4,317,726**	**3,932,313**

NOTE 21 INVESTMENT ASSETS

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Measured at amortised cost		
Debt securities	104,962	104,959
At fair value through profit or loss		
Debt securities	9,290	9,929
Shares and participations	197,000	171,735
At fair value through other comprehensive income		
Debt securities	340,590	368,186
Shares and participations	3,724	3,370
Investment properties	25,986	30,692
Investment assets total	**681,552**	**688,871**

INVESTMENTS ON 31 DECEMBER 2021

	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 participations	Total
Quoted						
Public sector entities	104,962	-	-	66,408	-	171,370
Other	-	3,258	184,753	173,175	-	361,186
Other						
Public sector entities	-	-	-	93,206	-	93,206
Other	-	6,032	12,247	7,801	3,724	29,804
Investments total	**104,962**	**9,290**	**197,000**	**340,590**	**3,724**	**655,566**

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 participations	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**

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 2021		31 Dec 2020	
(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	-5,119	-5,135	-2,135	-7,173
Change in Credit Spreads	+50 bp	-2,688	-2,696	-1,121	-3,766
Change in Listed and Unlisted Equities	-10 %	-2,256	-296	-1,806	-337
Foreign Exchange risk	-10 %	-1,735	-334	-2,060	-365

CHANGES IN INVESTMENT PROPERTY

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Acquisition cost 1 January	**45,852**	**48,793**
+ Increases	1,186	853
- Decreases	-4,794	-4,200
+/- Transfers	3,308	406
Acquisition cost 31 December	**45,553**	**45,852**
Accumulated depreciation and impairment 1 January	**-15,160**	**-16,231**
+/- Accumulated depreciation on decreasese and transfers	-1,304	2,178
- Depreciation	-1,062	-1,053
- Impairment	-2,040	-54
Accumulated depreciation and impairment 31 December	**-19,567**	**-15,160**
Carrying amount 1 January	**30,692**	**32,562**
Carrying amount 31 December	**25,986**	**30,692**

NOTE 22 INVESTMENTS IN ASSOCIATES

CHANGES IN INVESTMENT IN ASSOCIATES

Name	**Industry**	**Holding % 31 Dec 2021**	**Holding % 31 Dec 2020**
Figure Financial Management Ltd	Services	25 %	25 %

(EUR 1,000)	**31 Dec 2021**	**31 Dec 2020**
Acquisition cost 1 Jan	195	116
+/- share of profit for the financial year	19	78
Acquisition cost	**214**	**195**

Figure Financial Management Ltd provides accounting and regulatory reporting services to companies operating in the financial sector.

NOTE 23 INTANGIBLE ASSETS

The most significant intangible assets of the POP Bank Group are comprised of expenses resulting from the acquisition of non-life insurance and banking information systems.

CHANGES IN INTANGIBLE ASSETS 2021

(EUR 1,000)	Information systems	Other intangible assets	Incomplete intangible assets	Total
Acquisition cost 1 January	**19,921**	**13,803**	**5,600**	**39,324**
+ Increases	58	953	2,916	3,926
- Decreases	-	-	-273	-273
+/- Transfers	222	118	-391	-
Acquisition cost 31 December	**20,200**	**14,874**	**7,852**	**42,977**
Accumulated depreciation and impairment 1 January	**-14,303**	**-9,824**	**-**	**-24,128**
- Depreciation	-2,163	-1,713	-	-3,876
- Impairment				
Accumulated depreciation and impairment 31 December	**-16,466**	**-11,538**	**-5,675**	**-33,679**
Carrying amount 1 January	**5,618**	**3,979**	**5,600**	**15,196**
Carrying amount 31 December	**3,734**	**3,336**	**2,176**	**9,298**

CHANGES IN INTANGIBLE ASSETS 2020

(EUR 1,000)	Information systems	Other intangible assets	Incomplete intangible assets	Total
Acquisition cost 1 January	**17,632**	**11,929**	**-2,367**	**38,850**
Change in accounting policy	-	-1,563		-3,930
+ Increases	279	959	3,165	4,403
+/- Transfers	2,009	2,477	-4,487	-
Acquisition cost 31 December	**19,921**	**13,803**	**5,600**	**39,324**
Accumulated depreciation and impairment 1 January	**-12,251**	**-8,462**	**-**	**-20,712**
Change in accounting policy	-	320	-	320
- Depreciation	-2,053	-1,682	-	-3,735
Accumulated depreciation and impairment 31 December	**-14,303**	**-9,824**	**-**	**-24,128**
Carrying amount 1 January	**5,382**	**3,467**	**9,289**	**18,138**
Carrying amount 31 December	**5,618**	**3,979**	**5,600**	**15,196**

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2. POP Bank Group has recognized expenses of implementation projects of SaaS aquisitions to prepayments. Prepayments are presented in Note 25 Other Assets.

NOTE 24 PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Owner-occupied properties		
Land and water	2,426	2,505
Buildings	24,799	27,026
Machinery and equipment	1,686	1,845
Other tangible assets	700	754
Construction in progress	-	9
Total property, plant and equipment total	**29,611**	**32,138**

CHANGES IN PROPERTY, PLANT AND EQUIPMENT 2021

(EUR 1,000)	Owner-occupied properties	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost 1 January	**58,777**	**15,470**	**939**	**9**	**75,195**
+ Increases	2,464	371	-	-	2,836
- Decreases	-1,392	-762	-49	-9	-2,213
+/- Transfers	-249	-5,396	-	-	-5,645
Acquisition cost 31 December	**59,600**	**9,684**	**890**	**-**	**70,173**
Accumulated depreciation and impairment 1 January	**-29,246**	**-13,626**	**-186**	**-**	**-43,057**
+/- Accumulated depreciation on decreasese and transfers	1,546	6,479	1	-	8,025
- Depreciation	-3,440	-851	-6	-	-4,296
- Impairment	-1,234	-	-	-	-1,234
Accumulated depreciation and impairment 31 December	**-32,375**	**-7,998**	**-190**	**-**	**-40,563**
Carrying amount 1 January	**29,530**	**1,845**	**754**	**9**	**32,138**
Carrying amount 31 December	**27,225**	**1,686**	**700**	**-**	**29,610**

The fixed assets include owneroccupied properties and machinery and equipment. More detailed information on fixed asset items is presented in Note 34.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT 2020

(EUR 1,000)	Owner-occupied properties	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost 1 January	**59,995**	**15,888**	**982**	**4**	**76,868**
+ Increases	4,976	704	28	5	5,713
- Decreases	-5,788	-1,122	-71	-	-6,980
+/- Transfers	-406	-	-	-	-406
Acquisition cost 31 December	**58,777**	**15,470**	**939**	**9**	**75,195**
Accumulated depreciation and impairment 1 January	**-29,454**	**-13,724**	**-228**	**-**	**-43,406**
+/- Accumulated depreciation on decreasese and transfers	3,640	1,064	52	-	4,755
- Depreciation	-3,416	-966	-9	-	-4,391
+/- Other changes	-15	-	-	-	-15
Accumulated depreciation and impairment 31 December	**-29,246**	**-13,626**	**-186**	**-**	**-43,057**
Carrying amount 1 January	**30,540**	**2,164**	**754**	**-**	**33,462**
Carrying amount 31 December	**29,530**	**1,845**	**754**	**9**	**32,138**

NOTE 25 OTHER ASSETS

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Payment transfer receivables	115	179
Accrued income and prepaid expenses		
Interest	11,178	9,293
Other	8,202	4,473
Insurance operations	11,584	10,843
Other assets total	2,935	8,029
Other assets total	**34,014**	**32,816**

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2. POP Bank Group has recognized expenses of implementation projects of SaaS acquisitions to prepayments.

NOTE 26 DEFERRED TAXES

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Tax assets		
Deferred tax assets	5,085	3,317
Income tax receivables	316	2,010
Total tax assets	**5,401**	**5,326**
Tax liabilities		
Deferred tax liabilities	25,986	23,542
Income tax liability	2,381	812
Total tax liabilities	**28,367**	**24,353**

DEFERRED TAX ASSETS

(EUR 1,000)	31 Dec 2020	Recognised through profit and loss	Recognised in other comprehen-sive income	31 Dec 2021
At fair value	**733**	-	-381	**352**
Real estate depreciation adjustments	**1,427**	182	-	**1,609**
Defined benefit pension plans	**475**	-27	88	**536**
Consolidation and others	**681**	1,906	-13	**2,587**
Total deferred tax assets	**3,317**	**2,062**	**-293**	**5,085**

(EUR 1,000)	31 Dec 2019	Recognised through profit and loss	Recognised in other comprehen-sive income	31 Dec 2020
At fair value	**356**	-24	401	**733**
Real estate depreciation adjustments	**1,293**	162	-	**1,427**
Defined benefit pension plans	**488**	-154	141	**475**
Consolidation and others	**120**	533	-	**681**
Total deferred tax assets	**2,257**	**518**	**542**	**3,317**

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2.

The companies belonging to the POP Bank Group have EUR 19,994 (29,797) thousand of losses for which no deferred tax assets have been recognised. The losses will expire in 2023–2031.

DEFERRED TAX LIABILITIES

(EUR 1,000)	31 Dec 2020	Recognised through profit and loss	Recognised in other comprehen-sive income	31 Dec 2021
Appropriations	**21,426**	2,668	-	**24,094**
At fair value	**2,035**	-239	-206	**1,591**
Intangible assets	**68**	-50	-	**18**
Consolidation	**11,856**	271	-	**283**
Total deferred tax liabilities	**23,542**	**2,650**	**-206**	**25,986**

(EUR 1,000)	31 Dec 2019	Recognised through profit and loss	Recognised in other comprehen-sive income	31 Dec 2020
Appropriations	**21,026**	401	-	**21,426**
At fair value	**1,208**	140	687	**2,035**
Intangible assets	**198**	-130	-	**68**
Consolidation	**9**	3	-	**12**
Total deferred tax liabilities	**22,440**	**414**	**687**	**23,542**

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME AND RELATED DEFERRED TAXES 2021

(EUR 1,000)	Gross change	Deferred tax	Net change
Fair value reserve	-1,083	217	-867
Defined benefit plans	-441	88	-353
Amounts recognised in other comprehensive income, total	**-1,524**	**305**	**-1,219**

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME AND RELATED DEFERRED TAXES 2020

(EUR 1,000)	Gross change	Deferred tax	Net change
Fair value reserve	1,419	-275	1,144
Defined benefit plans	-705	141	-564
Amounts recognised in other comprehensive income, total	**714**	**-134**	**580**

POP Bank Group does not have significant uncertain tax positions according to IFRIC 23

NOTES TO LIABILITIES AND EQUITY CAPITAL

NOTE 27 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Liabilities to credit institutions		
Central Banks	128,400	50,000
To other credit institutions		
Repayable on demand	1,252	1,995
Not repayable on demand	36,832	45,224
Total liabilities to credit institutions	**166,484**	**97,219**
Liabilities to customers		
Deposits		
Repayable on demand	3,809,583	3,583,780
Not repayable on demand	411,039	499,814
Other financial liabilities		
Not repayable on demand	1,742	2,451
Total liabilities to customers	**4,222,364**	**4,086,045**
Total liabilities to credit institutions and customers	**4,388,848**	**4,183,263**

Liabilities to central banks includes secured TLTRO III funding total of EUR 128,400 thousand. The funding matures on 27 March 2024 (TLTRO 3.7) and 26 June 2024 (TLTRO 3.8) but for which early repayment is possible from 30 March 2022 and 29 June 2022 onwards. The interest rate on the financing period from 24 June 2020 to 23 June 2022 may be the ECB's deposit rate (-0.5%) less an additional interest rate of 0.5%. The determination of the interest rate is affected by the growth of the POP Bank Group's net lending, and the interest rate for the period 24 June 2021 - 23 June 2022 was determined on the basis of the net lending review period ending on 31 December 2021. POP Bank Group estimates it has met the growth criteria and has recognized the additional interest in income statement at financial period 2021. The final interest rate on the loan will be reviewed when the loan matures. The loan has been treated in accordance with IFRS 9 Financial Instruments -standard.

NOTE 28 NON-LIFE INSURANCE LIABILITIES

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Provision for unearned premiums	20,205	19,813
Ceded to reinsurers	-	-
Provisions for unpaid claims	43,464	36,370
Reinsurers' share	-10,977	-12,268
Total insurance contract liabilities	**52,692**	**43,915**

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 29 DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Debt securities issued to the public	254,926	224,910
Certificate of deposits	29,995	41,436
Total debt securities issued to the public	**284,920**	**266,346**

DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1,000) Name	Issue date	Due date	Interest	Nominal	Currency
BONUM FRN 180422	18 Apr 2019	18 Apr 2022	EB 3month + 0.88%	100,000	EUR
BONUM FRN 120723	3 Jun 2020	12 Jul 2023	EB 12month + 1.044%	50,000	EUR
BONUM FRN 170124	3 Jun 2020	17 Jan 2024	EB 12month + 1.2%	55,000	EUR
Issued during the financial year					
BONUM FRN 161125	20 Oct 2021	20 Oct 2026	EB 3month + 0.85%	20,000	EUR
BONUM FRN 161125	16 Nov 2021	16 Nov 2025	EB 3month + 0.75%	30,000	EUR

Certificates of deposit with a total nominal value of EUR 30,000 (41,500) thousand were outstanding on the balance sheet date. Amount of the certificates is 6, nominals range from EUR 1,500 to 5,000 thousand with average maturity of 10.7 months.

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Balance at 1 Jan	**266,346**	**114,829**
Debt securities issued, increase	49,952	129,995
Certificates of deposits, increase	29,993	116,826
Total increase	**79,945**	**246,821**
Debt securities issued, decrease	-20,000	-
Certificates of deposits, decrease	-41,387	-95,426
Total decrease	**-61,387**	**-95,426**
Total changes in cash flow	**18,558**	**151,395**
Valuation, accrued interest	17	122
Balance at the end of period	**284,920**	**266,346**

NOTE 30 SUPPLEMENTARY COOPERATIVE CAPITAL

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Supplementary cooperative capital 1 Jan	11,287	18,003
Refunds of supplementary cooperative capital	-11,287	-6,698
Converted into POP Shares	-	-18
Supplementary cooperative capital 31 Dec	**-**	**11,287**
of which cancelled supplementary cooperative contributions	-	11,287

In accordance with national corporate legislation, the cooperative capital of the member co-operative bank may include cooperative contributions, supplementary cooperative contributions and POP Shares. Supplementary cooperative capital has been recognised as debt in IFRS Financial statements. During the financial year 2021 redemption of all supplementary cooperative contributions was executed according to the redemption permission obtained from the Financial Supervisory Authority in 2020.

More detailed information about POP Shares is provided in Note 32.

NOTE 31 PROVISIONS AND OTHER LIABILITIES

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Provisions		
Expected credit losses	672	788
Other provisions	273	-
Other liabilities		
Pension liabilities	2,681	2,377
Direct and reinsurance liabilities	903	966
Payment transfer liabilities	14,301	19,460
Lease liabilities	4,842	5,174
Accrued expenses		
Interest payable	3,100	3,363
Advances received	1,748	2,060
Liabilities on card transactions	8,785	9,013
Other accrued expenses	12,755	8,790
Total provisions and other liabilities	**50,060**	**51,991**

Defined benefit pension plans and related liabilities are presented in Note 35 and lease liabilities are presented in Note 36.

CHANGE IN PROVISIONS

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Provisions 1 Jan	**788**	**688**
Change in expected credit losses	-117	100
Increase in other provisions	273	-
Provisions 31 Dec	**944**	**788**

Other provisions consist of a provision recognized for an unfinished juridical proceeding.

NOTE 32 EQUITY CAPITAL

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Total equity attributable to the owners of the POP Bank Group		
Cooperative capital, cooperative contributions	10,163	9,909
of which cancelled cooperative contributions	565	527
Cooperative capital, POP Shares	56,893	56,121
of which cancelled POP Shares	4,505	3,660
Restricted reserves		
Reserve fund	52,494	52,494
Reserves based on the Articles of Association/rules	3,341	5,965
Fair value reserve		
Shares and participations	1,767	1,616
Debt securities	2,271	3,289
Non-restricted reserves		
Other non-restricted reserves	104,005	103,134
Retained earnings		
Profit (loss) for previous financial years	284,327	273,184
Profit (loss) for the financial year	37,110	11,087
Total equity attributable to the owners of the POP Bank Group	**552,370**	**516,798**
Non-controlling interests	439	444
Total equity capital	**552,809**	**517,242**

POP Bank Group has changed the accounting policies, and therefore comparison period has been restated. The changes are presented in Note 2.

COOPERATIVE CAPITAL AND CLASSIFICATION OF CONTRIBUTIONS AS CAPITAL EQUITY

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

Cooperative contributions

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

On 31 December 2021, POP Banks had a total of 90 (90) thousand members.

POP Shares

The POP Bank Group's equity capital also includes investments made by the members of the member cooperative banks in POP Shares issued by the member cooperative banks. In accordance with its' rules, the cooperative bank has an unconditional right to refuse from the payment of interest on POP Shares and refund of capital.

The member banks of the POP Bank Group issued a total of EUR 2,551 (1,193) thousand of POP Shares during the financial year 2021. Of this, the share new sales amounted to EUR 2,551 (1,178) thousand and converted supplementary cooperative contributions amounted to EUR 0 (14) thousand. POP Shares totalled to EUR 56,893 (56,121) thousand in 31 December 2021.

The targeted interest rate on POP Shares is 2.0% - 2.5%. The interest to be paid is confirmed after the end of the financial year at the cooperative meeting according to the proposal of the Board of Directors. The interest rate objective can change annually. POP Shares do not convey voting rights or other rights to the member.

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

RESTRICTED RESERVES

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

The fair value reserve includes the cumulative net change in the fair value of equity securities measured at FVOCI and the cumulative net change in the fair value of debt securities measured at FVOCI. The change in the fair value can be positive or negative. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment. An expected credit loss on debt security is recognised in the income statement and added to the fair value reserve. The fair value reserve also includes changes in the fair value of equity securities recognised in the fair value of comprehensive income, which are not transferred to retained earnings upon later disposal.

NON-RESTRICTED RESERVES

Other non-restricted reserves consist of retained earnings based on the Articles of Association or other rules, or decisions taken by the general meeting or cooperative meeting.

RETAINED EARNINGS

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

There are no significant non-controlling interests in the subsidiaries owned by POP Bank Group at the time of the financial statements.

SPECIFICATION OF CHANGES IN FAIR VALUE RESERVE 2021

(EUR 1,000)	Debt securities	Shares and participations	Total
Fair value reserve 1 Jan	**3,289**	**1,616**	**4,905**
Fair value change, increases	5,821	1,288	7,109
Fair value change, decreases	-5,351	-1,098	-6,449
Transferred from fair value reserve to the income statement	10	-	10
Expected credit loss	-1,753	-	-1,753
Deferred taxes	254	-38	216
Fair value reserve 31 Dec	**2,271**	**1,767**	**4,038**

SPECIFICATION OF CHANGES IN FAIR VALUE RESERVE 2020

(EUR 1,000)	Debt securities	Shares and participations	Total
Fair value reserve 1 Jan	**3,137**	**624**	**3,761**
Fair value change, increases	17,332	2,801	**20,133**
Fair value change, decreases	-19,790	-1,561	**-21,351**
Transferred from fair value reserve to the income statement	1,102	-	**1,102**
Expected credit loss	1,543	-	**1,543**
Deferred taxes	-34	-248	**-282**
Fair value reserve 31 Dec	**3,289**	**1,616**	**4,905**

OTHER NOTES

NOTE 33 COLLATERAL GIVEN

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Given on behalf of own liabilities and commitments		
Pledges	2,546	2,546
Collateral given to the Bank of Finland	144,361	115,673
Total collateral given	**146,907**	**118,218**

NOTE 34 OFF-BALANCE-SHEET COMMITMENTS

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Guarantees	17,455	17,064
Loan commitments	338,532	279,920
Total off-balance sheet commitments	**355,987**	**296,984**
Other commitments		
Commitment to invest in venture capital funds	4,712	2,779
Total other commitments	**4,712**	**2,779**

The expected credit losses of off-balance sheet commitments are presented in Note 18.

NOTE 35 PENSION LIABILITIES

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

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

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Current service cost	216	236
Net interest	9	16
Costs recognised in income statement	**225**	**252**
Remeasurements	441	705
Comprehensive income before tax	**666**	**957**
Present value of obligation 1 January	**22,235**	**20,832**
Current service cost	216	236
Interest expense	91	142
Actuarial gains (-)/losses (+) arising from experience adjustment	-684	1,387
Actuarial gains (-)/losses (+) arising from changes in financial assumptions	710	827
Actuarial gains (-)/losses (+) arising from changes in demographic assumptions	0	-
Benefits paid	-1,388	-1,189
Present value of obligation 31 December	**21,180**	**22,235**
Fair value of plan assets 1 January	**19,859**	**18,390**
Interest income	82	126
Return on plan assets excl. items in interest expense/income	-415	1,509
Benefits paid	-1,388	-1,189
Contributions paid	362	1,023
Fair value of plan assets 31 December	**18,499**	**19,859**

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Present value of obligation	21,180	22,235
Fair value of plan assets	18,499	19,859
Net liability in balance sheet 31 December	**2,681**	**2,377**
Net liability in balance sheet 1 January	**2,377**	**2,442**
Costs recognised in income statement	225	252
Contributions paid	-362	-1,023
Remeasurements in comprehensive income statement	441	705
Net liability in balance sheet 31 December	**2,681**	**2,377**
Actuarial assumptions		
Discount rate, %	0.95 %	0.42 %
Pay development, %	2.00 %	2.00 %
Pension increase, %	2,24%/0,00%	1,39%/0,00%
Inflation rate, %	2.00 %	1.15 %

SENSITIVITY ANALYSIS - NET LIABILITIES

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

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Change of +0.5% in discount rate	-167	-155
Change of -0.5% in discount rate	186	174
Pay development +0.5%	71	165
Pay development -0.5%	-71	-163
Change of +0.5% in pension increase	1,373	1,444
Change of -0.5% in pension increase	-1,290	-1,356

Duration based on the weighted average of the obligation is 13.8 (14.6) years.

The POP Bank Group expects to contribute approximately EUR 351 (315) thousand to defined benefit plans in 2022.

NOTE 36 LEASING

GROUP AS A LESSOR

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

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

FUTURE MINIMUM LEASE PAYMENTS RECEIVABLE

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Less than one year	330	407
Within 1–5 years	13	29
More than five years	1,181	1,609
Future minimum lease payments receivable total	**1,524**	**2,045**

GROUP AS A LESSEE

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

RIGHT-OF-USE ASSETS 31 DEC 2021

(EUR 1,000)	Office Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	**7,905**	**993**	**8,898**
+ Increases	1,814	371	**2,185**
- Decreases	-855	-102	**-957**
Acquisition cost 31 December	**8,864**	**1,262**	**10,126**
Accumulated depreciation and impairment 1 January	**-3,276**	**-560**	**-3,836**
+/- Accumulated depreciation on decreases and transfers	365	41	**406**
- Depreciation	-1,649	-270	**-1,918**
Accumulated depreciation and impairment 31 December	**-4,559**	**-788**	**-5,348**
Carrying amount 1 January	**4,629**	**433**	**5,062**
Carrying amount 31 December	**4,305**	**473**	**4,778**

Presented in Property, Plant and Equipment

RIGHT-OF-USE ASSETS 31 DEC 2020

(EUR 1,000)	Office Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	**6,390**	**824**	**7,214**
+ Increases	1,486	180	**1,666**
- Decreases	29	-12	**18**
Acquisition cost 31 December	**7,905**	**993**	**8,898**
Accumulated depreciation and impairment 1 January	**-1,469**	**-269**	**-1,738**
+/- Accumulated depreciation on decreases and transfers	-166	-	**-166**
- Depreciation	-1,641	-291	**-1,932**
Accumulated depreciation and impairment 31 December	**-3,276**	**-560**	**-3,836**
Carrying amount 1 January	**4,921**	**556**	**5,477**
Carrying amount 31 December	**4,629**	**433**	**5,062**

LEASE LIABILITIES

(EUR 1,000)	31 Dec 2021	31 Dec 2020
Lease liabilities 1 Jan	**5,174**	**5,387**
+ Increases	2,185	1,606
- Decreases	-2,517	-1,820
Lease liabilities 31 Dec	**4,842**	**5,174**

Presented in other liabilities

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Total cash outflow for leases	-1,842	-1,831

AMOUNTS RECOGNISED IN PROFIT OF LOSS

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Depreciation		
Office Buildings	-1,649	-1,641
Machinery and equipment	-270	-291
Total	**-1,918**	**-1,932**

Depreciation are presented in Depreciation and Amortisation

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Interest expenses on lease liabilities	-9	-9

Interest expenses are presented in Net interest Income

(EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Variable lease payments not included in the measurement of lease liabilities	265	-
Expenses relating to short-term leases	63	8
Espenses relating to leases of low-value assets	1,209	1,240
Total	**1,537**	**1,249**

Expenses are presented in other operating expenses.

NOTE 37 ENTITIES INCLUDED IN THE POP BANK GROUP'S FINANCIAL STATEMENTS

The structure of the POP Bank Group is described in Note 1 the POP Bank Group and the scope of the IF-RS Financial Statements.

TECHNICAL PARENT COMPANY

THE TABLE BELOW PRESENTS THE MEMBER BANKS COMPRISING THE TECHNICAL PARENT COMPANY OF THE POP BANK GROUP AND THEIR BALANCE SHEET TOTAL (FAS).

Name of the bank	Domicile	EUR (1,000)	EUR (1,000)
Honkajoen Osuuspankki	Honkajoki	61,360	55,416
Isojoen Osuuspankki	Isojoki	86,510	77,055
Jämijärven Osuuspankki	Jämijärvi	62,249	60,440
Järvi-Suomen Osuuspankki	Siilinjärvi	551,227	349,821
Kannonkosken Osuuspankki	Kannonkoski	63,390	61,382
Keuruun Osuuspankki	Keuruu	208,765	200,543
Konneveden Osuuspankki	Konnevesi	188,221	177,011
Kosken Osuuspankki	Koski Tl	193,790	186,065
Kurikan Osuuspankki	Kurikka	384,062	336,518
Kyrön Seudun Osuuspankki	Pöytyä	118,524	111,710
Kyyjärven Osuuspankki	Kyyjärvi	88,956	83,690
Lakeuden Osuuspankki	Seinäjoki	597,622	576,732
Lammin Osuuspankki	Hämeenlinna	207,353	193,619
Lanneveden Osuuspankki	Saarijärvi	67,383	63,454
Lappajärven Osuuspankki	Lappajärvi	104,768	103,741
Lavian Osuuspankki	Pori	85,741	81,263
Liedon Osuuspankki	Lieto	140,142	135,795
Nivalan Järvikylän Osuuspankki	Nivala	115,362	105,199
Piikkiön Osuuspankki	Kaarina	146,485	141,639
Pohjanmaan Osuuspankki	Kauhava	715,504	708,397
Reisjärven Osuuspankki*	Reisjärvi	-	187,120
Suupohjan Osuuspankki	Kauhajoki	1,040,085	949,931

*On 28 February 2021 POP Bank of Reisjärvi merged with POP Bank of Siilinjärvi, which changed its name to Järvi-Suomen Osuuspankki.

SUBSIDIARIES AND ASSOCIATES CONSOLIDATED IN THE POP BANK GROUP

		Group's holding	
	Domicile	**31 Dec 2021**	**31 Dec 2020**
POP Bank Centre coop (central institution of the Group)	Helsinki	100.0 %	100.0 %
Bonum Bank Ltd (wholly-owned subsidiary of POP Bank Centre coop)	Espoo	100.0 %	100.0 %
POP Newco Ltd (wholly-owned subsidiary of POP Bank Centre coop)	Espoo	100.0 %	-
POP Holding Ltd	Helsinki	100.0 %	100.0 %
Finnish P&C Insurance Ltd (wholly-owned subsidiary of POP Holding Ltd)	Espoo	100.0 %	100.0 %
White Beach Development AS	Audru, Viro	72.5 %	72.5 %
Figure Financial Management Ltd	Espoo	25.0 %	25.0 %

JOINT ARRANGEMENTS

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

JOINT ARRANGEMENTS CONSOLIDATED IN THE POP BANK GROUP (KEY REAL ESTATE COMPANIES)

	Group's holding	
	31 Dec 2021	**31 Dec 2020**
Asunto Oy Keuruun Tarhiansuu	36.9 %	36.9 %
Asunto Oy Tampereen Kauppakatu 14	23.9 %	23.9 %
Asunto Oy Tampereen Koskilehmus	21.9 %	21.9 %
Kiinteistö Oy Kosken Pankkitalo	53.6 %	53.6 %
Kiinteistö Oy Lehto-Center	38.3 %	38.3 %
Kiinteistö Oy Liedon Torinkulma	62.5 %	62.5 %
Kiinteistö Oy Riihikuiva	82.7 %	82.7 %
Kiinteistö Oy Siilinjärven Pankkikeskus	66.5 %	66.5 %

CHANGES IN HOLDINGS IN SUBSIDIARIES

During the financial year 2021 POP Bank Centre established a new subsidiary POP Newco Ltd.

NOTE 38 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. Intercompany transactions of the POP Bank Group have been eliminated and are not included in the figures of note.

The key persons in management of the POP Bank Group include the members of the supervisory board and board of directors of POP Bank Centre coop, as well as the managing director and deputy managing director of POP Bank Centre coop. Other related parties comprise the companies and associates consolidated in the financial statements and the relatives of the key persons in charge.

Transactions with key persons in management and other related parties are presented below.

RELATED-PARTY TRANSACTIONS

	Key persons in management		Other	
(EUR 1,000)	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Assets				
Loans	2,445	2,700	3,092	3,635
Expected credit loss	3	2	3	2
Liabilities				
Deposits	1,759	1,822	1,755	2,235
Off-balance-sheet commitments				
Loan commitments	153	80	55	96
Guarantees	498	196	354	228
Investments to other than cooperative contributions	60	209	64	159

	Key persons in management		Other	
(EUR 1,000)	**1 Jan - 31 Dec 2021**	**1 Jan - 31 Dec 2020**	**1 Jan - 31 Dec 2021**	**1 Jan - 31 Dec 2020**
Income and expenses				
Interest income	41	34	59	61
Interest expenses	0	3	0	2
Insurance premium revenue	17	14	5	5

COMPENSATION TO KEY PERSONS IN MANAGEMENT

(EUR 1,000)	**1 Jan - 31 Dec 2021**	**1 Jan - 31 Dec 2020**
Short-term employee benefits	3,493	2,430
Post-employment benefits	27	22
Total compensation to key persons in management	**3,520**	**2,452**

NOTE 39 EVENTS AFTER THE CLOSING DATE

In January 2022, the POP Bank Group signed a co-operation agreement with Crosskey, a Finnish IT company, on the renewal of its core banking system. POP Bank expects to introduce the new core banking system during 2025. The cooperation agreement has no immediate impact on the banking services provided by the POP Banks.

S&P Global Ratings has affirmed 4 February 2022 Bonum Bank Plc's long-term counterparty credit rating 'BBB' and short term credit rating 'A-2'. The outlook remains stable.

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

SIGNATURES

We have adopted the Report of Board of Directors and the Consolidated Financial Statements of the POP Bank Group, referred to in the Act on the Amalgamation of Deposit Banks, for the financial year ended 31 December 2021. The Board of Directors' Report and the Financial Statements will be presented to the general meeting of POP Bank Centre coop on 1 April 2022.

Espoo, 16 February 2022
Board of Directors of POP Bank Centre coop

Timo Kalliomäki
Chairman

Ari Heikkilä
Vice chairman

Ilkka Lähteenmäki
Member of the Board

Mika Mäenpää
Member of the Board

Marja Pajulahti
Member of the Board

Mikko Seppänen
Member of the Board

Matti Vainionpää
Member of the Board

AUDITOR'S NOTE

A report on the audit performed has been issued today.
Helsinki, 16 February 2022

KPMG Oy Ab

Tiia Kataja
Authorised Public Accountant

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

AUDITOR'S REPORT

To the members of POP Bank Centre coop

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of amalgamation POP Bank Group pursuant to the Act on the Amalgamation of Deposit Banks for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity capital, cash flow statement and notes.

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

Our opinion is consistent with the additional report submitted to the Board of Directors of POP Bank Centre coop.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of member institutions within POP Bank Group in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to member institutions within POP Bank Group are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 12 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Loans and receivables from customers – valuation (notes 2, 4, 15, 16, 18 and 20 to financial statements)	
• Receivables from customers, totaling EUR 4.2 billion, are the most significant item on the POP Bank Group's consolidated balance sheet representing 79 percent of the total assets. • The calculation of expected credit losses (ECL) in accordance with IFRS 9 Financial Instruments involves assumptions, estimates and management judgement in determining, for example, the probability and amount of expected credit losses and significant increases in credit risk. • The components of the ECL calculation are updated and refined in the light of actual credit risk developments, the evolution of the calculation process, and regulatory changes and requirements. • Due to the significance of the carrying amount of receivables, the complexity of the valuation methods applied and management judgement involved, the valuation of receivables is addressed as a key audit matter.	• We evaluated compliance with lending guidelines, credit risk management, and policies and controls for recording and monitoring receivables in the POP Bank Group institutions. • We assessed the ECL calculation methodology and the key assumptions used in the calculation, as well as tested controls over the ECL calculation process and credit risk models. • Key areas of the audit included the most significant factors requiring management judgement in ECL calculation, the impact of the Covid-19 pandemic on the credit risk position and ECL calculation, and our recalculation of a sample of ECL model calculations. • We involved our own IFRS and financial instruments specialists. • We also requested other auditors of POP Bank Group institutions to issue an opinion that the institutions within POP Bank Group have complied with the instructions provided by POP Bank Centre coop in respect of lending process. • Furthermore, we considered the appropriateness of the notes provided in respect of receivables and expected credit losses.
Investment assets (notes 2, 4, 8,15, 16, 17, 18 and 21 to financial statements)	
• The carrying amount of investment assets totals EUR 0.7 billion mainly consisting of investments measured at fair value. • The fair value of financial instruments is determined using either prices quoted in an active market or POP Bank Group's own valuation techniques where no active market exists. Determining fair values involves management judgements, especially in respect of those instruments for which market-based data is not available. • In case of illiquid instruments, management judgement is involved in the valuation of investment assets, and the valuation of these items is addressed as a key audit matter.	• We evaluated the appropriateness of the accounting principles applied and the valuation techniques used by POP Bank Group. • We considered the appropriateness of the accounting treatment and valuation process by reference to the requirements set under IFRSs. • Our audit work included testing controls over the process of measuring financial assets at fair value, among others. As part of our year-end audit procedures we compared the fair values used in valuation of investment assets to external price references. • We involved our own IFRS and financial instruments specialists. • Furthermore, we considered the appropriateness of the notes on investment asset.

Insurance liabilities (notes 2, 4, 9 and 28 to financial statements)	
• Measurement of insurance liabilities, amounting to EUR 53 million in the POP Bank Group's balance sheet, is based on various actuarial assumptions and calculations methods. • Calculation of insurance liabilities is based on data processed in many IT systems and combination of that data. • Due to the complexity associated with the actuarial models used, insurance liabilities are addressed as a key audit matter.	• Our audit procedures included assessment of the principles related to calculation and recognition of insurance liabilities. Our actuary specialist evaluated the appropriateness of the assumptions and methods used in determining insurance liabilities. • We assessed the internal control processes for the insurance liabilities and the accuracy of the input data for the calculation, as well as the link between the calculation of the insurance liabilities and the financial accounting system. • Furthermore, we considered the appropriateness of the notes on insurance liabilities.
Control environment relating to financial reporting process and IT systems	
• In respect of the accuracy of the financial statements of POP Bank Group, the key reporting processes are dependent on technology. Therefore, information technology plays an essential role for business continuity, incident management and the accuracy of financial reporting. • The main risks relate to the integrity and confidentiality of information and the continuity of services. • Consequently, the IT environment related to the financial reporting process and the application controls of individual IT systems have a significant effect on the selected audit approach.	• We obtained an understanding of the financial reporting information systems and the associated control environment, and tested the effectiveness of the related internal controls by using assurance reports from external service organisations, among others.. • As part of our audit we also performed substantive procedures and data analyses relating to various aspects in financial reporting process.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in a manner explained in more detail in the notes to the financial statements and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing POP Bank Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate POP Bank Group, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of POP Bank Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on POP Bank Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause POP Bank Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within POP Bank Group to express an opinion on the consolidated financial statements. We remain solely responsible for our audit opinion.
- Audit of the consolidated financial statements of amalgamation POP Bank Group is based on the financial statements of POP Bank Centre coop and member institutions,

as well as the auditors' reports submitted for the audit of POP Bank Group's consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

INFORMATION ON OUR AUDIT ENGAGEMENT

We were first appointed as auditors by the Cooperative Meeting of POP Bank Centre coop in 2012 and our appointment represents a total period of uninterrupted engagement of 10 years.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the board of directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the board of directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the board of directors is consistent with the information in the financial statements and the report of the board of directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the board of directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki February 16, 2022

KPMG OY AB

Tiia Kataja
Authorised Public Accountant, KHT