Bonum Bank Plc

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

1 January - 31 December 2023

POP Bank

Bonum Bank Plc

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This document is a translation of the original Finnish version "Bonum Pankki Oyj:n toimintakertomus ja tilinpäätös 1.1-31.12.2023". In case of discrepancies, the Finnish version shall prevail.

BOARD OF DIRECTOS' REPORT 1 JANUARY – 31 DECEMBER 2023

Bonum Bank Plc (hereinafter "Bonum Bank") is part of the amalgamation of POP Banks and is responsible for providing 18 POP Banks with central credit institution services, obtaining external funding for the POP Bank Group, handling payments, issuing payment cards to the customers of the POP Banks and providing centralised services for the Group. In addition, Bonum Bank grants unsecured consumer credit and secured debt securities to retail customers. The purpose of Bonum Bank's internal service production is to limit the Group's dependence on external service providers and enhance the efficiency of the whole Group's cost structure. In its external business operations, Bonum Bank provides services that are in line with the Group's strategy and supplement its offering.

Bonum Bank operates as the central credit institution for the banks of the amalgamation, arranging funding from the capital markets for the member banks. During 2023 the operating model and the pricing model of the POP Bank Groups internal funding was clarified and simplified. In July, Bonum Bank issued a five-year directed bond of EUR 50 million within its EUR 750 million bond programme. Bonum Bank also acquired funding by issuing short-term certificates of deposit under its EUR 250 million certificates of deposit programme and by accepting money market deposits. During 2023, Bonum Bank also executed interest rate swaps as part of its interest rate risk management. Bonum Bank is responsible for managing of the liquidity puffer (LCR portfolio) of the amalgamation. During the reporting period Bonum Bank made material investments in LCR eligible assets and assets eligible as central bank collateral on behalf of the member banks.

The mortgage bank of POP Bank Group, POP Mortgage Bank, continued issuing covered bonds in 2023 by issuing EUR 250 million secured bond in April. POP Mortgage Bank has close cooperation with Bonum Bank's treasury and its need to implement issues of securities is determined in Bonum Bank's Treasury.

In addition to providing central credit institution services, Bonum Bank is responsible for issuing payment cards and card credit facilities to the POP Banks' customers, as well as for maintaining these services. Volumes in the card business developed favourably during 2023. The significance of digital card-related services continued to increase, and customers have actively adopted mobile payment features.

Bonum Bank's business operations outside the Group mainly consist of the issue of secured bonds and unsecured consumer credits. During 2023 the amount of unsecured consumer loans grew in controlled manner.

Bonum Bank's Service Centre in Vaasa is the provider of the Group's centralised services, such as centralised client service for the cards. POP Bank Group's anti-money laundering measures of the Group's banks are produced centrally by Bonum Bank. Centralised services and monitoring systems ensure that the prevention of money laundering and terrorist funding is always state-of-the-art and that asset transfers are monitored with maximum efficiency.

On 5th October 2023 S&P Global Ratings revised its outlook on the ratings on Bonum Bank from stable to positive. At the same time, the credit rating agency affirmed 'BBB/A-2' long- and short-term issuer credit ratings on Bonum Bank.

Bonum Bank's Annual General Meeting was held in March 2023. The Annual General Meeting dealt with statutory matters and elected Jaakko Pulli, Hanna Linna, Kirsi Salo and Ilkka Lähteenmäki to the Board of Directors. Jaakko Pulli has served as Chair of the Board.

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 and small and medium-sized enterprises. The POP Banks are cooperative banks owned by their member customers. The POP Banks' mission is to promote their customers' financial well-being and prosperity, as well as local success.

STRUCTURE OF POP BANK GROUP

POP Bank Group consists of the POP Banks, POP Bank Centre coop and their controlled entities. The POP Banks are member credit institutions of POP Bank Centre coop. POP Bank Centre coop and its member credit institutions are mutually liable for their debts and liabilities in line with the Act on the Amalgamation of Deposit Banks. The POP Banks, POP Bank Centre coop and their controlled service companies constitute the amalgamation of POP Banks.

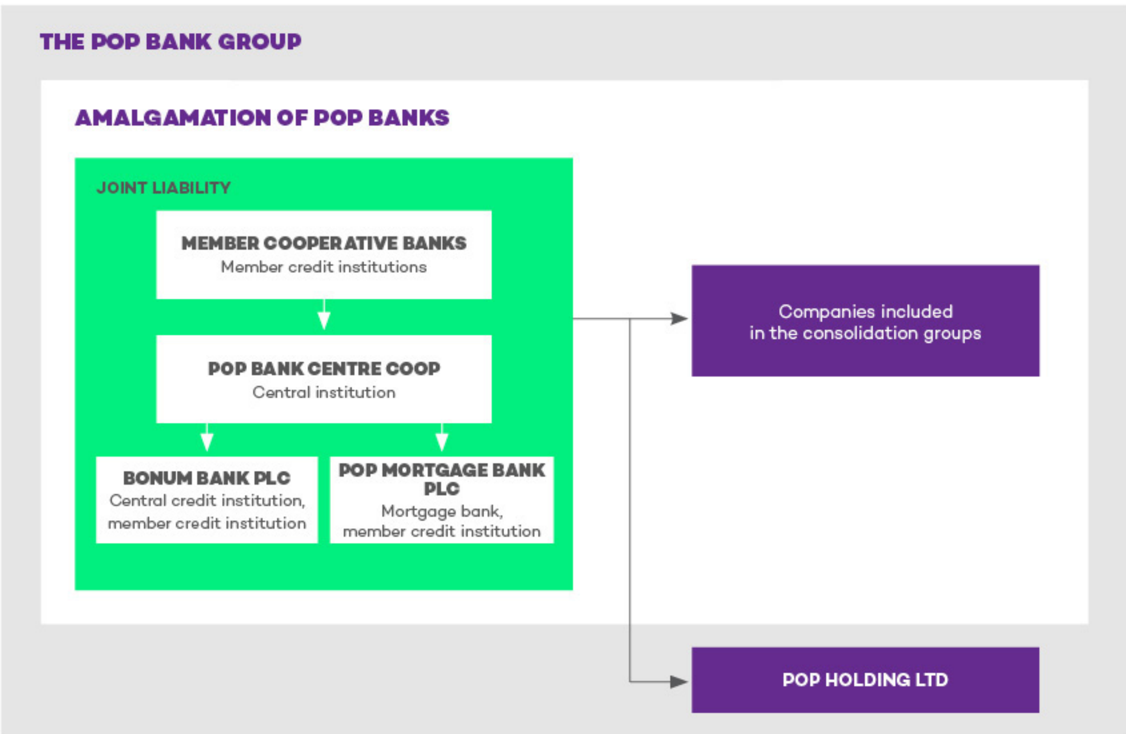
POP Bank Centre coop is the central institution of the amalgamation of POP Banks and is responsible for steering and supervising the POP Bank Group. POP Bank Centre coop has two subsidiaries, Bonum Bank Plc and POP Mortgage Bank Plc, which are also its member credit institutions.

Bonum Bank Plc serves as the central credit institution of POP Banks and acquires external funding for the Group by issuing unsecured bonds. Bonum Bank Plc is also responsible for the POP Banks' card business and the Group's payment transactions and centralised services, in addition to granting credit to retail customers. POP Mortgage Bank Plc is responsible for the Group's mortgage-backed funding, which it acquires by issuing covered bonds.

POP Bank Group also includes POP Holding Ltd owned by POP Banks and POP Bank Centre coop. POP Holding Ltd owns 30 per cent of Finnish P&C Insurance Ltd that belongs to LocalTapiola Group and uses the auxiliary business name of POP Insurance. POP Holding Ltd is not a member of the amalgamation of POP Banks and is not included in the scope of joint liability.

The following figure shows the structure of POP Bank Group and the entities included in the amalgamation and covered by joint mutual responsibility.

POP BANK GROUP STRUCTURE



CHANGES IN GROUP STRUCTURE

During the review period, in May 2023, POP Bank Group relinquished control over Finnish P&C Insurance Ltd and continues as a minority shareholder in the company. Subsequently, Finnish P&C Insurance Ltd will be consolidated as an associated company into POP Bank Group's consolidated IFRS financial statements.

One merger was completed within POP Bank Group during the review period. At the end of May 2023, Jämijärven Osuuspankki merged with Kurikan Osuuspankki. After the merger, POP Bank Group consists of 18 cooperative banks. The merger was an intra-Group arrangement and had no impact on the POP Bank Group's consolidated financial information.

OPERATING ENVIRONMENT

The global economy grew slowly in 2023. The growth slowed down particularly in China, which has been the driving force of the global economy in recent years. The surge in inflation in Europe and the subsequent rise in interest rates, as well as the energy crisis, were reflected as weaker growth in the eurozone. In particular, Germany, Europe's largest economy, has begun to struggle, and therefore Finland's economy is not getting the boost it needs from exports. Russia's war of aggression against Ukraine continued and the uncertainty it has caused is reflected in both economic performance and the security environment.

In 2023, there was a clear turn for the worse in the Finnish economy. High inflation continued to weaken households' purchasing power, even though wage agreements increased nominal wages more than before. The rapid rise in interest rates also meant that consumers started to feel more pessimistic about economic development.

Purchases of housing and consumer durables decreased markedly during the year, which weighed heavily on many sectors, especially residential construction and trade. However, in terms of household spending, there was a cautiously positive signal towards the end of the year when the European Central Bank put an end to the series of interest rate increases, and the market started waiting for interest rates to fall. The inflation rate also slowed significantly towards the end of the year. In Finland, energy prices and availability improved on the previous year, as the wind and nuclear power generation capacity increased.

Construction activity in Finland was exceptionally high in the early 2020s, but the first signs of a downturn in construction had already become visible by the end of 2022. The high inflation and rising interest rates following the pandemic led to a steep decrease in the number of building permits and construction starts in 2023, and at the same time buyers also became more cautious than before. In addition, as housing investors, which make up a major group of buyers, largely disappeared from the housing market, housing prices continued to decline in 2023. The construction sector is very important for the Finnish economy, so the slowdown in construction weighed on GDP development, especially towards the end of the year.

Agricultural input prices fell in 2023 from the previous year, but the declining trend in producer prices in most types of production and rising interest rates have kept investments at a low level. Profitability differences between farms continued to grow. The price of timber was at a historically high level as competition between timber buyers has increased since the end of timber imports from Russia.

Although households' purchasing power was weak in 2023, unemployment continued to remain under control. In general, households have continued to manage their loans well. However, the number of company bankruptcies turned to a clear increase, and the weakened economic situation also led to an increase in the number of lay-offs. The weakened economic cycle is reflected in the amounts of banks' non-performing loans and credit losses.

FINANCIAL POSITION

PERFORMANCE

Bonum Bank's profit for the financial year was EUR 2,406 thousand, whereas last year that was EUR 3,383 thousand. The profit for the financial year primarily consists of interest and commission income on central credit institution services provided for POP Banks, income from unsecured lending and profit on the card business and payments. Bonum Bank's cost-to-income ratio was 74.3 (74.2) per cent.

The bank's key income statement items have developed as follows, compared with year 2022:

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Interest income	74,665	18,800
Interest expenses	-61,665	-8,639
Net interest income	**12,999**	**10,161**
Net commissions and fees	7,226	7,285
Net investment income	-769	459
Other operating income	5,167	4,196
Total operating income	**24,623**	**22,101**
Personnel expenses	-5,409	-4,583
Other operating expenses	-11,982	-10,863
Depreciation and amortisation	-911	-949
Total operating expenses	**-18,302**	**-16,395**
Impairment losses on financial assets	-3,306	-1,485
Profit before taxes	**3,015**	**4,221**
Income tax expense	-609	-838
Profit for the period	**2,406**	**3,383**

Operating income totalled EUR 24,623 (22,101) thousand. The increase in income, due to the favourable development of the bank's net interest income, which amounted to EUR 12,999 (10,161) thousand. This represents an increase of 27.9 per cent year-on-year. The growth of net interest income was mainly due to growth of income in central credit institution services, unsecured lending and card business.

Net commission income was stable EUR 7,226 (7,285) thousand. Commission income consists mostly of income from the cards business and payment transmission fees.

Net investment income decreased to EUR -769 (459) thousand. Net investment income consists of mainly net gains from foreign currency transactions and net income from derivatives. Other operating income totalled to EUR 5,167 (4,196) thousand. The increase in other operating income is due to the growth of the Group's internal services.

Operating expenses totalled at EUR 18,302 (16,395) thousand. The increase in operating expenses comes mainly from ICT expenses and other operating expenses. Personnel expenses, that are composed of salary expenses and pension and other indirect employee expenses, increased to EUR 5,409 (4,583) thousand. On 31 December 2023, Bonum Bank had 88 (66) employees.

Depreciations and impairment losses on tangible and intangible assets were EUR 911 (949) thousand.

Impairment losses on financial assets increased to EUR 3,306 (1,485) during the year. Active collection measures are being targeted at receivables recognised as credit losses.

BALANCE SHEET

At the end of the year 2023, Bonum Bank's balance sheet stood at EUR 1,837,618 (1,574,594) thousand.

The amount of liquid assets grew during the review period to EUR 485,020 (436,911) thousand. Loans and receivables from credit institutions were EUR 849,549 (778,257) thousand. This item includes the funding provided by Bonum Bank to other member banks of POP Bank Group. Loans and receivables from customers totalled to EUR 193,373 (170,485) thousand. This item includes the credit used on credit cards issued by Bonum Bank and other loan products issued by Bonum Bank to its customers.

Liabilities to credit institutions increased up to EUR 1,424,772 (1,122,965) thousand. This item includes deposits from the other member banks of POP Bank Group, TLTRO loans from the European Central Bank and deposits from the other banks outside the Group. The amount of debt securities issued to the public was EUR 283,896 (322,214) thousand at the end of the review period.

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Assets		
Liquid assets	485,020	436,911
Loans and advances to credit institutions	849,549	778,257
Loans and advances to customers	193,373	170,485
Derivatives	9,220	0
Investment assets	259,963	163,891
Intangible assets	329	1,057
Property, plant and equipment	648	359
Other assets	39,309	23,118
Tax assets	207	515
Total assets	**1,837,618**	**1,574,594**
Liabilities		
Liabilities to credit institutions	1,424,772	1,122,965
Liabilities to customers	33,435	55,930
Derivatives	1,798	5,975
Debt securities issued to the public	283,896	322,214
Other liabilities	42,970	20,003
Tax liabilities	203	850
Total liabilities	**1,787,075**	**1,527,938**
Equity capital		
Share capital	10,000	10,000
Reserves	30,001	28,520
Retained earnings	10,543	8,136
Total equity capital	**50,543**	**46,657**
Total liabilities and equity capital	**1,837,618**	**1,574,594**

KEY FIGURES AND THE FORMULAS OF KEY FIGURES

	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020
Cost-to-income -ratio, %	74.3	74.2	71.4	71.4
ROA, %	0.14	0.3	0.09	0.09
ROE, %	4.95	8.3	2.13	2.13
Capital adequancy ratio (TC) %	19.4	20.0	21.8	24.1
Equity ratio, %	2.8	3.0	3.4	3.4

COST-TO-INCOME -RATIO, % =

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

RETURN ON ASSETS (ROA), % =

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

RETURN ON EQUITY (ROE), % =

$$\frac{\text{Result for the period}}{\text{Equity (average of beginning and end of year)}} \times 100$$

CAPITAL ADEQUACY RATIO (TC), % =

$$\frac{\text{Total capital (TC)}}{\text{Total minimum capital requirement}} \times 100$$

EQUITY RATIO, % =

$$\frac{\text{Equity}}{\text{Balance sheet total}} \times 100$$

CREDIT RATING

In October, 2023 S&P Global Ratings revised its outlook on the ratings on Bonum Bank from stable to positive. At the same time, the credit rating agency affirmed 'BBB/A-2' long- and short-term issuer credit ratings on Bonum Bank.

SHAREHOLDINGS AND EQUITY

On 31 December 2023, Bonum Bank had 1,400,000 shares, all of them held by POP Bank Centre coop. Bonum Bank holds no own shares.

At the end of the financial year, Bonum Bank's share capital was EUR 10,000 thousand (10,000). Equity totalled EUR 50,543 (46,657) thousand.

RISK AND CAPITAL ADEQUACY MANAGEMENT AND RISK POSITION

PRINCIPLES AND ORGANISATION OF RISK AND CAPITAL 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 Bonum Bank's risk management is to ensure that all risks are identified, measured and monitored and that they are proportionate to Bonum Bank's and the amalgamation's risk-bearing capacity and capital adequacy position. Risk management processes must be able to identify all significant risks of the business operations and assess, measure and monitor these regularly. The most significant risks associated with Bonum Bank's operations are credit risk, liquidity risk and interest rate risk.

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 of the amalgamation 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 controlling thresholds have been established for the member institutions to ensure that the risks taken by an individual member institution are within acceptable limits.

Bonum Bank is the central credit institution and a member credit institution of the amalgamation of POP Banks. Bonum Bank's risk management's goal is to ensure that the bank complies with laws, decrees, instructions and regulations issued by the authorities, their own rules and the internal binding guidelines issued by the central institution of the amalgamation in its activities. In addition to central institution's independent functions, Bonum Bank has own separate risk control unit to monitor risk position and a compliance contact person.

The purpose of capital adequacy management is to ensure the sufficient amount, type and efficient use of the capital of the Bonum Bank. A sufficient level of capital covers the material risks arising from implementation of the bank's business plan in accordance with its strategy, and also secures the uninterrupted operation of the bank in the case of unexpected losses. The goal is pursued through a documented and systematic capital adequacy management process that is integrally linked to the strategy process, business planning and management at the level of the amalgamation.

The amalgamation's risk management and capital adequacy management are described in more detail in Note 4 to POP Bank Group's financial statements. Furthermore, information concerning risks specified in the EU Capital Requirements Regulation (EU 2019/876) is presented in a separate Pillar III report. Copies of the financial statements of POP Bank Group are available online at www.poppankki.fi or from the office of POP Bank Centre coop, address Hevosenkenkä 3, 02600 Espoo, Finland.

BUSINESS RISKS

CREDIT RISKS

Bonum Bank's credit risk exposure grew during the financial period. Balance sheet items exposed to credit risk totalled EUR 460,510 (340,175) thousand at the end of 2023. Bonum Bank's off-balance sheet credit commitments totalled EUR 171,533 (160,498) thousand, consisting mainly of unrestricted credit facilities related to card credit and the POP Banks' liquidity facilities. Bonum Bank's most significant credit risks are related to investment activities and unsecured credits.

At the end of the financial period, Bonum Bank's investment assets totalled EUR 259,963 (163,890) thousand. The investment asset items in the liquidity reserve include debt securities issued by governments, municipalities, credit institutions and companies. Some of these debt securities are accepted as collateral by the ECB. The credit risk related to investment activities is managed mainly by limiting the creditworthiness of investments and distributing investment assets across sectors, counterparties and instrument classes.

The retail banking segment's loan portfolio increased by 13.4 per cent during the financial period, amounting to EUR 193,373 (170,485) thousand. Most of the lending was unsecured lending, which represented 59.3 per cent of the loan portfolio. Loans granted to private customers represented 86.3 (83.1) per cent of the loan portfolio.

Expected credit losses (ECL) on loans, receivables and off-balance sheet items increased by EUR 2,194 thousand during the financial period, amounting to EUR 7,094 thousand. Expected credit losses in IFRS stage 3 increased to EUR 4,954 (2,883) thousand. In 2023 final write offs were in total EUR 1,111 (-113) thousand. Final write offs are under active collection procedures.

Credit risk monitoring in banking operations is based on the continuous monitoring of non-performing receivables, payment delays and forbearance, and on monitoring the quality of the loan portfolio. Monitoring the amount of expected credit losses is an important part of the credit risk management process. Foreseeable credit management problems are addressed as early as possible.

LIQUIDITY RISKS

Bonum Bank as the central credit institution is responsible for fulfilling liquidity coverage requirements and liquidity risk management at POP Bank Group level. Liquidity risks are prepared for by maintaining a sufficient liquidity reserve comprising of LCR eligible high-quality liquid assets, assets eligible as central bank collateral, and short-term bank receivables.

POP Bank Group's liquidity position remained strong during the financial period. The liquidity requirement (Liquidity Coverage Ratio, LCR) for the amalgamation of POP Banks was 273.9 (184.8) per cent on 31 December 2023, with the minimum level being 100 per cent. At the end of the financial period, Bonum Bank had EUR 887.2 (691.6) million in LCR-eligible liquid assets before haircuts, of which 55.9 (64.8) per cent consisted of cash and receivables from the central bank and 37.1 (31.0) per cent consisted of highly liquid Tier 1 securities. In addition, the member credit institutions of the amalgamation had EUR 28.3 (39.8) million in unpledged securities outside the LCR portfolio.

The requirement for stable funding, NSFR, measures the maturity mismatch of assets and liabilities on the balance sheet and aims to ensures that the level of stable 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 2023 was 132.7 (133.5) per cent.

Bonum Bank provides the member banks of the amalgamation with access to long-term wholesale funding, in addition to serving as an internal bank for member credit institutions. The planning of the bank's funding structure is based on liquidity and funding planning of the whole amalgamation as well as the strategic goals and limits set by the central institution.

At the end of the year, Bonum Bank had EUR 255 (255) million outstanding in an unsecured senior loan issued as part of its EUR 750 million bond programme. Of the bank's EUR 250 million certificate of deposit programme, EUR 29.0 (67.3) million was outstanding at the end of the review period. In addition, Bonum Bank has a EUR 22.3 million loan programme with the Nordic Investment Bank (NIB). At the end of the financial period, Bonum Bank had a total of EUR 78.4 (128.4) million in TLTRO III funding from the European Central Bank.

MARKET RISKS

The most significant market risk related to Bonum Bank's business operations is the interest rate risk associated with the banking book. The interest rate risk refers to the impact of changes in interest levels on the market value of balance sheet and off-balance-sheet items, or on net interest income. Banking book consists of loans and deposits, wholesale funding and liquidity portfolio investments.

Bonum Bank's business operations do not include trading activities. Any use of derivatives is limited to hedging banking book items interest rate risk. The Bank executed derivative hedges during the financial year to decrease banking book interest rate risk in member banks balance sheet.

Bonum Bank monitors the interest rate risk using the present value method and the dynamic income risk model on monthly basis. The present value method measures how changes in interest rates affect the constructed market value of the balance sheet. In the present value method, the market value of the balance sheet is calculated as the present value of the expected cash flows of individual balance sheet items. Interest rate sensitivity indicators are used to monitor the market value changes caused by changes in the interest rates and credit spreads of investment items in different interest rate scenarios. The income risk model predicts future net interest income and its changes in various market rate scenarios within a time frame of five years.

OPERATIONAL RISKS

The objective of the management of operational risks is to identify essential operational risks in business operations and minimise their materialisation and impact. The objective is pursued through continuous personnel development and comprehensive operating instructions and internal control measures.

The operational risks associated with Bonum Bank's most significant new products, services, functions, processes, and systems are identified in the assessment process for a new product or service. The bank carries out an annual self-assessment of operational risks based on business risks assessments, in which the monitoring of operational risk incidents is utilised. The risk assessment also aims to evaluate the risks related to Bonum Bank's most significant outsourced operations. Some of the potential losses caused by operational risks are hedged through insurance. Risks caused by malfunctions in information systems are prepared for through continuity planning.

CAPITAL ADEQUACY

Bonum Bank's capital adequacy was at a good level at the end of 2023. Both capital adequacy ratio and core capital adequacy ratio were 19.4 (20.0) per cent. At the end of 2023, the bank's own funds totalled EUR 47,515 (41,981) thousand, consisting entirely of CET1 capital.

Bonum Bank's risk weighted assets increased during 2023 mainly because of increase in retail credit portfolio. The growth in the retail credit portfolio is expected to continue in 2024, which will increase the amount of its risk weighted receivables accordingly.

Bonum Bank's own funds consist of share capital, retained earnings and other non-restricted reserves. In line with the practice followed by the amalgamation, the bank does not include the profit for the financial year in its own funds. Based on permission from the Financial Supervisory Authority, the member credit institutions of the amalgamation are exempted, by a decision of the central institution, from the own funds requirement for intra-group items, and from the restrictions imposed on major counterparties concerning items between the central credit institution and the member banks.

The statutory minimum for capital adequacy ratio is 8 per cent and 4.5 per cent for CET1 capital. In addition to the minimum capital adequacy ratio, Bonum Bank is subject to fixed additional capital requirement, which is 2.5 per cent in accordance with the Act on Credit Institutions, and to the variable country-specific additional capital requirements for foreign exposures. All additional capital requirements have to be covered in full with tier 1 capital.

Bonum Bank's leverage ratio was 4.6 (4.9) per cent on 31 December 2023, as the required minimum level is 3 per cent. With special permission from the Financial Supervisory Authority, intra-amalgamation items are deducted from the amount of leverage exposure in the calculation of the leverage ratio.

SUMMARY OF CAPITAL ADEQUACY

Bonum Bank Plc Summary of capital adequacy (EUR 1,000)	**31 Dec 2023**	**31 Dec 2022**
Own funds		
Common Equity Tier 1 capital before deductions	48,137	43,274
Deductions from Common Equity Tier 1 capital	-622	-1,293
Total Common Equity Tier 1 capital (CET1)	**47,515**	**41,981**
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**47,515**	**41,981**
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**-**	**-**
Total capital (TC = T1 + T2)	**47,515**	**41,981**
Total risk weighted assets	**244,745**	**210,283**
of which credit risk	196,019	171,065
of which credit valuation adjustment risk (CVA)	6,658	3,433
of which market risk (exchange rate risk)	1,248	0
of which operational risk	40,820	35,785
Fixed capital conservation buffer according to Act on Credit institutions (2.5%)	**6,119**	**5,257**
Countercyclical capital buffer	**65**	**26**
CET1 Capital ratio (%)	**19.4%**	**20.0%**
T1 Capital ratio (%)	**19.4%**	**20.0%**
Total capital ratio (%)	**19.4%**	**20.0%**
Capital requirement		
Total capital	47,515	41,981
Capital requirement *	25,764	22,115
Capital buffer	21,752	19,865
Leverage ratio		
Tier 1 capital (T1)	47,515	41,981
Leverage ratio exposure	1,024,580	858,279
Leverage ratio, %	4.6%	4.9%

* The capital requirement comprises the minimum requirement of 8%, the capital conservation buffer of 2.5% and the country-specific countercyclical capital requirements of foreign exposures.

INTERNAL CONTROL

The purpose of the Bonum Bank's internal control is to ensure that the bank, in a systematic and effective manner, works towards the goals and implements the procedures confirmed by senior management. Internal control aims to ensure that the organisation complies with regulations and manages risks comprehensively, and that its operations are efficient and reliable.

Internal control is implemented at all levels of the organisation. Internal control is implemented by the Board of Directors, the CEO and other management and personnel, as well as the risk management and compliance functions independently of business operations. As part of internal control, the amalgamation has implemented a whistle-blowing mechanism that enables the bank's employees to report, internally through an independent channel, suspected violations of rules and regulations concerning the financial market in the central institution or a member credit institution.

INTERNAL AUDIT

Within the amalgamation, POP Bank Centre coop is centrally responsible for the steering and organisation of internal audit in the bank centre, member credit institutions and other companies of the amalgamation. Bonum Bank's internal audit is based on the internal audit guidelines confirmed by the Board of Directors and the Supervisory Board of POP Bank Centre coop as well as on the audit plan approved by the Board of Directors of POP Bank Centre coop.

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

The internal audits conducted in the Bank during the year were carried out by the internal audit unit of the central institution.

BONUM BANK'S MANAGEMENT AND PERSONNEL

Bonum Bank's Annual General Meeting of 23 March 2023 adopted the financial statements for 2022 and granted discharge from liability to the Bonum Bank's Board members and the CEO. The Board of Directors of Bonum Bank had four members. During the year, the Board has convened 19 times.

Regular board members were:

Jaakko Pulli, CEO
Chairman of the Board

Hanna Linna, CEO
Vice Chairman of the Board

Ilkka Lähteenmäki, Adjunct Professor
Member of the Board

Kirsi Salo, CEO
Member of the Board

Bonum Banks CEO is Pia Ali-Tolppa and CEO's deputy is Timo Hulkko.

On 31 December 2023, Bonum Bank had 88 employees, of which 87 with permanent employment contract and 1 with fixed term agreement. Out of the total of 88 employees, 77 worked full-time. Employees' professional competence is maintained and developed in line with the bank's needs and changing operating environment, as well as with employees' individual competence requirements and changes therein.

AUDIT

The company's auditor was KPMG Oy Ab, authorized public accountants, with Tiia Kataja, authorised public accountant, as the principal auditor.

CORPORATE GOVERNANCE

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

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

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

Bonum Bank's annual corporate governance statement is available at [www.poppankki.fi.](www.poppankki.fi)

REMUNERATION

The Board of Directors of Bonum Bank is responsible for matters related to remuneration. Bonum Bank does not have a remuneration committee appointed by the Board to manage its remuneration scheme. It has not been deemed necessary to establish a remuneration committee, considering the quality, scope and diversity of the bank's operations. Bonum Bank's Board of Directors monitors compliance with the remuneration scheme and assesses its functionality annually.

The central institution's internal audit function verifies at least once a year whether the remuneration scheme, as approved by the Board of Directors, has been complied with. The compensation of control functions' personnel is independent of the business area being supervised.

RELATIONSHIP BETWEEN REMUNERATION AND RESULT

The remuneration scheme must be in line with Bonum Bank's business strategy, goals, values and long-term interests and support the bank's long-term benefit. It must also be consistent with and promote the bank's sound and effective risk management and risk-bearing capacity The remuneration scheme must also support good corporate governance.

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

At Bonum Bank, variable bonuses paid to an individual are not allowed to exceed EUR 100,000 over a one-year earnings period. The bank may decide not to pay any variable bonuses in full or in part if its financial position has become weaker to such an extent that, based on the Board's estimate, the payment of performance bonuses would be unreasonable, considering the bank's situation.

Severance pay or other compensation payable to an employee can be paid if employment terminates prematurely. The principles of Act on Credit Institutions chapter 8 are taken into account in payment, and the payment criteria are laid down so that compensation is not paid for failed performance.

FIXED AND VARIABLE COMPENSATION

In Bonum Bank's remuneration scheme, variable bonuses may not exceed 100% of the fixed annual salary.

KEY PARAMETERS AND CRITERIA APPLIED IN THE SPECIFICATION OF VARIABLE

COMPENSATION AND OTHER FRINGE BENEFIT
Bonum Bank's variable compensation is subject to the following principles

1. The payment criteria for variable compensation will be determined and communicated to the recipients in advance. The Board may also reward employees for exceptional performance without such predetermined grounds with a bonus equalling no more than one month's salary.

2. The compensation must be based on an overall assessment of the performance of the recipient and the related function. Their performance must be evaluated over the long term.

3. When determining the bonus amounts, the risks known at the time of the assessment must be taken into account, as well as future risks, capital costs and the necessary solvency.

4. The compensation beneficiary may be entitled to variable compensation, which can be only paid if the compensation beneficiary has not violated the regulations, instructions or operating principles and procedures defined by the credit institutions, which generate obligations to the credit institution, or contributed to such action through their acts or failure to act. It must also be possible to not pay or to recover the variable compensation if the credit institution becomes aware of such action only after the compensation has been determined or paid.

5. The Bank may commit to unconditional payment of compensation (non-recoverable compensation) only for particularly weighty reasons and provided that the promised compensation only targets the first year of employment of the compensation beneficiary.

AGGREGATE INFORMATION ON COMPENSATION TO THE MANAGEMENT AND MEMBERS OF PERSONNEL WHO HAVE A SIGNIFICANT IMPACT ON THE BANK'S RISK PROFILE
Bonum Bank maintains a list of the following persons and the compensation paid to them:

6. CEO and members of the management team,

7. Other persons whose actions have a significant impact on the risk position of the central institution or amalgamation,

8. Persons who work in the risk control function, risk management tasks, compliance function or internal audit function,

9. Another person whose total amount of compensation is not significantly different from the total amount of compensation of the persons referred to in items 1 and 2.

PAID COMPENSATION
During the financial period, Bonum Bank has paid variable compensation payments in total EUR 91,200. No start-up payments were paid during fiscal year. The bank did not pay compensation of over EUR 1 million during the financial period.

KEY OUTSOURCED OPERATIONS

Bonum Bank's bank system is outsourced to Samlink Ltd. Bonum Bank's accounting is managed at Figure Taloushallinto Ltd., which POP Bank Group owns together with other customer banks of the company. Payment message handling at Bonum Bank is carried out through SWIFT Service Bureau provided by Tietoevry Oyj and SEPA Instant Payment Gateway and, excluding internal payments within the POP Bank Group. In addition, the Bank uses a platform service provided by a subsidiary of Google Inc. for customer data management and payment monitoring system provided by SAS Institute Oy. Some card business services are outsourced to Samlink Ltd., Nets Denmark A/S Finnish Branch, Intrum Justitia Ltd. and Evry Card Services Ltd.

DEPOSIT GUARANTEE

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

SOCIAL RESPONSIBILITY

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

Bonum Bank holds Green Office environmental management system certification by the WWF. The themes of the bank's programme include enhanced recycling and reduced energy consumption, as well as a reduction in emissions caused by mobility. The goals also include increasing environmental awareness across the bank's organisation and among partners through effective communication.

EVENTS AFTER THE CLOSING DATE

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

OUTLOOK FOR 2024

Global economic growth is expected to pick up in 2024, but remain lower than usual. However, the Finnish economy is expected to contract, and inflation is expected to slow down. The main factors affecting the Finnish economy are a weaker export outlook and a decline in investment. The European Central Bank has stopped key interest rate hikes for the time being, and expectations of a decrease in key interest rates have increased. The rapid fall in market interest rates at the end of 2023 has stabilised in early 2024, but interest rates are expected to continue to fall at a moderate pace.

Bonum Bank will use the available funding sources diversely during 2024. The goal is to keep the average price of funding for the group as low as possible. The mortgage bank enables the amalgamation to obtain long-term wholesale funding at a competitive price for its business growth by issuing covered bonds.

The general focus will be on increasing operational efficiency and improving profitability. Bonum Bank's personnel are involved in POP Bank Group's core banking system reform project to a significant degree.

The full-year result for 2024 is expected to be positive.

BOARD OF DIRECTORS' PROPOSAL ON THE DISPOSAL OF THE RESULT FOR THE PERIOD

Bonum Bank's distributable funds were EUR 40,213,698.11. Bonum Banks Board of Directors proposes to the Annual General Meeting that the profit EUR 2,406,077.04 for the period of which EUR 1,406,077.04 be recognised in retained earnings and EUR 1,000,000.00 paid out as dividends.

BONUM BANK PLC'S FINANCIAL STATEMENTS 31 DECEMBER 2023

INCOME STATEMENT

(EUR 1,000)	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Interest income		74,665	18,800
Interest expenses		-61,665	-8,639
Net interest income	3	**12,999**	**10,161**
Net commissions and fees	4	7,226	7,285
Net investment income	5	-769	459
Other operating income	6	5,167	4,196
Total operating income		**24,623**	**22,101**
Personnel expenses	7	-5,409	-4,583
Other operating expenses	8	-11,982	-10,863
Depreciation and amortisation	9	-911	-949
Total operating expenses		**-18,302**	**-16,395**
Impairment losses on financial assets	14	-3,306	-1,485
Profit before taxes		**3,015**	**4,221**
Income tax expense	10	-609	-838
Profit for the period		**2,406**	**3,383**

STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Profit for the financial period		**2,406**	**3,383**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net changes in fair value of equity instruments	26	141	-154
Capital gains and losses for equity instruments	26	0	-1,538
Deferred taxes	21	-28	338
Total		**113**	**-1,354**
Items that may be reclassified to profit or loss			
Movement in fair value reserve for liability instruments	26	1,368	-2,247
Total		**1,368**	**-2,247**
Other comprehensive income items total		**1,481**	**-3,601**
Comprehensive income for the financial year		**3,887**	**-217**

BALANCE SHEET

(EUR 1,000)	Note	31 Dec 2023	31 Dec 2022
Assets			
Liquid assets	15	485,020	436,911
Loans and advances to credit institutions	12, 16	849,549	778,257
Loans and advances to customers	12, 16	193,373	170,485
Derivatives	13	9,220	0
Investment assets	12, 17	259,963	163,891
Intangible assets	1	329	1,057
Property, plant and equipment	19	648	359
Other assets	20	39,309	23,118
Tax assets	21	207	515
Total assets		**1,837,618**	**1,574,594**
Liabilities			
Liabilities to credit institutions	12,13,22	1,424,772	1,122,965
Liabilities to customers	12,13,22	33,435	55,930
Derivatives	23	1,798	5,975
Debt securities issued to the public	24	283,896	322,214
Other liabilities	25	42,970	20,003
Tax liabilities	21	203	850
Total liabilities		**1,787,075**	**1,527,938**
Equity capital			
Share capital		10,000	10,000
Reserves		30,001	28,520
Retained earnings		10,543	8,136
Total equity capital	26	**50,543**	**46,657**
Total liabilities and equity capital		**1,837,618**	**1,574,594**

STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity
Balance 1 Jan 2023	**10,000**	**-1,480**	**30,000**	**8,136**	**46,656**
Comprehensive income for the financial year					
Profit for the financial year				2,406	**2,406**
Other comprehensive income		1,481			**1,481**
Total comprehensive income for the financial year		**1,481**		**2,406**	**3,887**
Balance 31 Dec 2023	**10,000**	**1**	**30,000**	**10,543**	**50,543**

(EUR 1,000)	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity
Balance 1 Jan 2022	**10,000**	**2,121**	**20,000**	**3,215**	**35,336**
Comprehensive income for the financial year					
Profit for the financial year				3,383	**3,383**
Other comprehensive income		-3,601			**-3,601**
Total comprehensive income for the financial year		**-3,601**		**3,383**	**-217**
Investment in the unrestricted equity fund			10,000		**10,000**
Other changes				1,538	**1,538**
Balance 31 Dec 2022	**10,000**	**-1,480**	**30,000**	**8,136**	**46,656**

CASH FLOW STATEMENT

(EUR 1,000)	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flow from operating activities			
Profit for the financial year		2,406	3,383
Adjustments to profit for the financial year		6,507	3,688
Increase (-) or decrease (+) in operating assets		**189,257**	**-373,740**
Advances to credit institutions	16	325,834	-333,871
Advances to customers	16	-26,140	-55,480
Investment assets	17	-94,247	28,722
Other assets	20	-16,191	-13,111
Increase (+) or decrease (-) in operating liabilities		**287,525**	**488,080**
Liabilities to credit institutions	22	287,465	455,764
Liabilities to customers	22	-22,495	20,349
Other liabilities	25	22,555	11,966
Income tax paid		-1,318	-706
Total cash flow from operating activities		**484,377**	**120,705**
Cash flow from investing activities			
Investments in shares and other equity, decreases		-21	1,993
Purchase of PPE and intangible assets		0	102
Total cash flow from investing activities		**-21**	**2,095**
Cash flow from financing activities			
Payment of lease liabilities	29	-175	-167
Debt securities issued, increase	24	129,273	338,923
Debt securities issued, decrease	24	-168,219	-301,853
Equity investment	26	0	10,000
Total cash flow from financing activities		**-39,121**	**46,903**
Change in cash and cash equivalents			
Cash and cash equivalents at period-start		443,523	273,820
Cash and cash equivalents at the end of the period		888,758	443,523
Net change in cash and cash equivalents		**445,235**	**169,703**

(EUR 1,000)	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash and cash equivalents			
Liquid assets	15	485,020	436,911
Receivables from credit institutions payable on demand	16	403,738	6,612
Total		**888,758**	**443,523**

ADDITIONAL INFORMATION OF THE CASH FLOW STATEMENT

Interest received		**62,884**	**14,059**
Interest paid		**46,413**	**4,331**
Dividends received		**7**	**71**

ADJUSTMENTS TO RESULT FOR THE FINANCIAL YEAR

Non-cash items and other adjustments			
Change in deferred taxes		-20	-1
Net changes in fair value		944	-198
Income taxes		629	1,224
Impairment losses on receivables		3,306	1,485
Depreciation		911	949
Other		738	230
Adjustments to profit for the financial year		**6,507**	**3,688**

NOTES

NOTE 1 ACCOUNTING POLICIES

GENERAL

BONUM BANK PLC AND POP BANK GROUP

Bonum Bank Plc (hereinafter 'Bonum Bank') is a subsidiary wholly owned by POP Bank Centre coop and a member credit institution in the amalgamation of POP Banks, acting as the central credit institution for the member banks of POP Bank Centre coop (POP Banks). Bonum Bank takes care of POP Banks' payment transfer accounts and transfers payment transactions between the customers of POP Banks and other banks, makes the minimum reserve deposits for POP Banks in the Bank of Finland, receives deposits for POP Banks and grants credits to POP Banks that they need to ensure their liquidity. In addition, Bonum Bank manages the liquidity of the amalgamation of POP Banks and operates in the financing wholesale market by issuing unsecured senior bonds. Bonum Bank's duties also include operations related to Visa cards of POP Banks' customers. Bonum Bank's registered office is Espoo. Copy of Bonum Bank's financial statements are available from its office at Hevosenkenkä 3, FI-02600 Espoo, and online at www.poppankki.fi.

Bonum Bank belongs to POP Bank Group. POP Bank Group consists of the amalgamation of POP Banks and companies over which it has control. The Group is engaged in banking business. The central institution for the amalgamation of POP Banks is POP Bank Centre coop. Its members consist of Bonum Bank and 18 co-operative banks and POP Mortgage Bank Plc. The amalgamation of POP Banks is an economic entity specified in the Act on the Amalgamation of Deposit Banks, the members of which are jointly liable for each other's debts and commitments.

The central institution of POP Banks has prepared POP Bank Group's consolidated financial statements in accordance with the Act on the Amalgamation of Deposit Banks. Copies of the financial statements of POP Bank Group are available online at www.poppankki.fi or from the office of the central institution, address Hevosenkenkä 3, 02600 Espoo, Finland. POP Bank Group will present information concerning risks specified in the EU Capital Requirements Regulation (EU 2019/876) (CRR) in a separate Pillar III report.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Bonum Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved in the EU and the related Interpretations (IFRIC). The applicable Finnish accounting and corporate legislation and regulatory requirements have also been taken into account when preparing the notes to the financial statements.

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.

Bonum Bank has no subsidiaries or associated companies.

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

The application of the IFRS requires the management to make estimates and assumptions concerning the future that affect the amounts of items presented in financial statement calculations, as well as the information provided in the notes. The management's key estimates concern the future and key uncertainties related to the values on the balance sheet date. Such key estimates are related to fair value measurement in particular, as well as the impairment of financial assets and intangible assets. The management's estimates and assumptions are based on the best view at the balance sheet date, which may differ from the actual result.

DETERMINING FAIR VALUE

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.

IMPAIRMENT

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

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

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.

CHANGES IN ACCOUNTING POLICIES

NEW IFRS STANDARDS AND INTERPRETATIONS

No new IFRS standards were adopted during the financial year in Bonum Bank's financial statements. POP Bank Group will adopt from 1 January 2024 the changes in IAS 1 presentation of Financial Statements, IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, if they have been approved for application in the EU before the effective date. The changes are not expected to have a material impact on POP Bank Group's financial statements

FINANCIAL INSTRUMENTS

CLASSIFICATION AND RECOGNITION

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

On initial recognition, all financial assets and financial liabilities are recognised at fair value. 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 on the date when the customer makes the subscription.

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

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.

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 Bonum Bank, 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.

Bonum Bank does not actively trade financial assets. The purpose of Bonum Bank's investment activities is to invest liquidity 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.

Bonum Bank does not have financial assets held for trading purposes or financial assets measured at fair value through profit or loss. Derivative contracts used for hedging are measured at fair value through profit or loss.

Equity instrument assets measured at fair value through other comprehensive income
Bonum Bank has adopted the exception in IFRS 9, according to which changes in fair value of investments in shares may be recognised in other comprehensive income. The exception is adopted to investments in shares regarded strategic to Bonum Bank'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
Bonum Bank'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. Bonum Bank has no financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at fair value
Derivative contracts used for hedging are measured at fair value through profit or loss. Bonum Bank has no other financial liabilities measured at fair value through profit or loss.

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.

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

- Quoted fair values in 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.

IMPAIRMENT OF FINANCIAL ASSETS

TA 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.

Calculating expected credit losses in Bonum Bank is based on three main segments::

- Private customers
- Corporate 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 contract on main segments.

The probability of default (PD) is measured by the historical credit rating model. The credit rating models are defined for the three main segments described above. Credit rating models constructed using statistical methods are used to estimate the PD of private and corporate customers.

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 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 CCF value 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, 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.

Bonum Bank 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.

Bonum Bank does 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.

Bonum Bank applies an exception to financial assets at fair value through profit or loss other than IFRS 9, 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.

INTANGIBLE ASSETS

Intangible assets included in Bonum Bank's balance sheet mainly consist of acquisition costs of information systems. The most important intangible assets are the information systems for central credit institution operations and card business. 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 Bonum Bank 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. Bonum Bank has capitalised also internally produced intangible assets. The capitalised expenditures for internally produced intangible assets includes, for example, purchased services, inhouse work and other external costs related to projects.

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

The amortisation of the acquisition cost of intangible assets begins when the asset is ready to be taken into use. 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.

PROPERTY, PLANT AND EQUIPMENT

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

Depreciation and impairment on property, plant and equipment are recognised in the income statement on depreciation, amortisation and impairment.

LEASES

Bonum Bank has acquired office equipment and business facilities for its use through contracts classified as leases. At the time of establishing a contract, Bonum Bank 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.

Bonum Bank 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. Bonum Bank 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 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.

EMPLOYEE BENEFITS

Bonum Bank's employee benefits consist mainly of short-term employee benefits, such as salaries, 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.

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. Bonum Bank's pension plans are defined contribution plans. Expenses from defined contribution plans are recognised in personnel expenses in the period during which they are charged by the insurance company. Bonum Bank has no defined benefit pension plans.

PRINCIPLES FOR RECOGNISING INCOME AND EXPENSES

Interest income and expenses

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

Negative interest income paid by Bonum Bank is shown in interest expenses, and the negative interest expense charged to the customer bank is shown in interest income.

Commission income and expenses

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

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.

Income from development charges

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

Presentation of income statement items in the financial statements:

Net interest income	Interest income and expenses on financial assets and liabilities, the amount of amortisation on the difference between the nominal and acquisition values, 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, commission income and expenses from payments and card business, commission income from securities
Net investment income	Sales gains and losses and dividend income from financial instruments measured at fair value, net gains from foreign currency transactions
Other operating income	Income from central credit institution services, development charges collected from banks and 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, development expenses, charges to financial authorities and 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

INCOME TAXES

The income statement includes taxes on Bonum Bank's taxable income for the financial year, adjustments to taxes from previous financial years and changes in deferred taxes. Tax expenses are recognised in the income statement 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.

SEGMENT REPORTING

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

NOTE 2 RISK MANAGEMENT

RISK AND CAPITAL ADEQUACY MANAGEMENT POLICIES

The purpose of Bonum Bank's risk management is to ensure that the bank does not take such risks in its operations that would result in a material threat to the capital adequacy or solvency of a member credit institution, the central institution or the entire amalgamation and support the strategic target of risk management in POP Bank Group and ensure for its own part the continuation the operations at all circumstances. Risk-bearing capacity is built upon risk management proportionated to the scope and complexity of the institution and adequate capitalization based on profitable business operations. The purpose of the risk management process 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 Bonum Bank and the amalgamation.

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

POP Bank Centre Coop, the central institution of the amalgamation, is responsible for the risk and capital adequacy management of POP Bank 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. Bonum Bank, within limits set by confirmed business risk thresholds, carries its business risks independently in its operations and is liable for its capital adequacy. The capital adequacy, liquidity coverage ratio and customer risks of the Bonum Bank are supervised both at the level of individual member institutions and at the consolidated amalgamation level. Violations of the risk management principles and limits are addressed in accordance with the agreed operating models.

Bonum Bank conducts an extensive identification and evaluation of risks related to its operations and sets risk-bearing capacity to match the total amount of the risks. In order to secure the capital adequacy, bank sets risk-based capital objectives and prepares a capital plan to achieve these objectives. Calculation methods defined by the central institution's risk monitoring function are used when preparing the capital plan.

The most significant risks associated with Bonum Bank's operations are credit risk, liquidity risk, interest rate risk and operational risk. The risk strategy confirmed by the Board of Directors of the central institution outlines the risk appetite of the operations, within which the Board of Directors of the Bonum Bank sets its own guidelines and restrictions. Business activities are carried out at a moderate risk level so that the risks can be managed in full.

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.

Risk management is an essential part of the internal controls of Bonum Bank. 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.

ORGANISATION OF RISK AND CAPITAL ADEQUACY MANAGEMENT

Bonum Bank is the central credit institution and a member credit institution of the amalgamation of POP Banks and a subsidiary of POP Bank Centre Coop. 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 controlling thresholds have been established for the member institutions to ensure that the risks taken by an individual member institution are within acceptable limits.

Bonum Bank's Board of Directors confirms the objectives of the business operations, guidelines, limits to the risk levels of the operations as well as the risk-taking authorities. 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 assesses the appropriateness, extent and reliability of capital adequacy management. 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 executive management is responsible for the risk management of the daily operations within the scope of the risk limits and risk-taking authority.

The 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 capital adequacy management have been clearly defined and sufficiently described and that the employees are familiar with capital adequacy management and the related processes and methods to the extent required by their duties.

Bonum Bank's independent risk monitoring is responsible for monitoring the risk limits and capital adequacy in the business operations as well as reporting them to the Board of Directors and the independent risk management function of the central institution of the amalgamation. The assignment of Bonum Bank's risk monitoring function is to form a comprehensive view of the risks included in the central credit institution services provided to the amalgamation's member credit institutions and the bank's other operations, develop risk management methods and processes for identifying, measuring and monitoring risks in accordance with the principles issued by the central institution.

The centralized compliance function of the central institution supervises that the bank complies with applicable laws, decrees, instructions and regulations issued by the authorities, their own rules and the internal binding guidelines issued by the central institution of the amalgamation in its activities. As the central institution, POP Bank Centre coop supervises the sufficiency and functioning of the risk management systems in all the member credit institutions in accordance with section 17 of the Amalgamation Act.

The principles, organisation and internal control measures of amalgamation's risk and capital adequacy management are described in more detail in Note 4 to POP Bank Group's financial statements. Material information regarding capital adequacy as specified in the Capital Requirements Regulation (EU 575/2013) is presented in a separate Pillar III report. Material information regarding capital adequacy as specified in the Capital Requirements Regulation (EU575/2013) is presented in a separate Pillar III report. Copies of the financial statements of the POP Bank Group are available from the office of the central institution, address Hevosenkenkä 3, 02600 Espoo or through the website www.poppankki.fi

CAPITAL ADEQUACY MANAGEMENT

The objective of capital adequacy management is to ensure that the Bonum Bank has an adequate capital buffer to achieve its business strategy and to cover the material risks arising from them in all circumstances. The capital adequacy position is managed in accordance with the Bonum Bank Board of Directors' and Financial Statements Report for 1 January – 31 December 2020 35 risk-taking framework set by the central institution of the amalgamation.

The monitoring and control of the capital adequacy position has been implemented by setting the control thresholds for the adequacy in accordance with the limits set by the central institution of the amalgamation. The capital adequacy targets (control limits) are set for the capital adequacy ratio in accordance with Capital Requirements Regulation (EU 575/2013) and it's reformative regulation 2019/876 (hereinafter the EU Capital Requirements Regulation) and for the economic capital requirement which is based on the internal risk assessment (Pillar 2).

Capital adequacy management is pursued through a systematic capital adequacy management process that is integrally linked to the amalgamation's and other member credit institutions' business planning and management. As part of the capital adequacy management process the aim is to identify all material risks and assess their magnitude and required capital levels.

Under the supervision of the central institution, Bonum Bank prepares its own capital plan and stress tests on an annual basis using harmonized principles defined by the central institution. The process ensures that the Bank's growth, profitability and risk-bearing capacity objectives are appropriate and consistent. Capital is held to cover the material risks arising from the Bank's business strategy and plan and to secure the uninterrupted operation of the Bank and amalgamation in case of unexpected losses. The baseline scenario of the capital plan forms the basis for budgeting for Bonum Bank.

PILLAR I CAPITAL ADEQUACY RATIO

The most significant Pillar I capital requirements of Bonum Bank arises from retail banking receivables as well as receivables in liquidity reserve investment operations. 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 to the operational risk. Bonum Bank does not engage in trading activities, so the capital requirement for market risk is only calculated for the foreign exchange risk. In the standardised approach for credit risk, the exposures are divided into exposure classes with limits having been set for the minimum diversification of lending in the retail exposure class.

Bonum Bank's own funds consist of share capital, retained earnings and other non-restricted reserves, less the deductible items in accordance with the EU's Capital Requirements Regulation (No. 575/2013). The bank does not include the profit accrued during the financial period in its own funds.

Bonum Bank releases the essential information in terms of capital adequacy calculation annually as part of its Board of Directors' report and notes to the financial statements.

BUSINESS RISKS

CREDIT RISK

Bonum Bank's most significant risk is 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 bonds, short-term debt securities and off-balance-sheet commitments, such as unused credit facilities and overdraft limits and guarantees.

The credit risk of Bonum Bank's operations consists of liquidity reserve investment operations as well as retail banking operations, for the most part formed of unsecured lending. Balance sheet items exposed to credit risk totalled EUR 460,510 (340,175) thousand at the end of 2023. Bonum Bank's off-balance sheet credit commitments amounted to EUR 171,533 (160,498) thousand. These consisted primarily of unused credit card limits and POP Banks' liquidity commitments.

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 Bonum Bank approves the credit risk strategy defined by the central institution, 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.

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. These guidelines form the basis of credit strategy and defines 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 updated at least annually or whenever there are essential changes in the operating environment or business model of the amalgamation, legislation or regulatory.

Automated lending credit decisions are made based on an assessment of the customer's credit worthiness and with application scoring model, as well as other credit criteria. Credit risk management is implemented through active management of credit policy and automated decision-making guidelines based on monitoring and analysis of credit risks. Credit monitoring is based on continuous monitoring of payment behaviour and non-performing receivables, monitoring the quality of the credit portfolio, as well as monitoring of the amount of expected credit losses and final credit losses.

Credit decisions are based on the customer's credit worthiness and ability to pay and the fulfilment of the other credit policy criteria, such as collateral requirements. Collaterals are valued prudently at fair value, and the development of values is monitored regularly. The collateral valuation coefficients are harmonized in the member credit institutions of the amalgamation. Credit decisions are made within the decision-making authorizations confirmed by the Bank's Board of Directors.

Credit risk of investment operations is mainly managed by limiting the credit rating of investments and allocating investment assets by industry, counterparty, credit rating and instrument category. The allocation and limits of credit risks are defined in the investment plan and investment instructions approved by the Board of Directors. Investment decisions are made within investment plan and investment instructions approved by the Board of Directors, by diversifying risks.

Monitoring expected credit losses is an essential part of the credit risk management. Principles of impairment and calculation of expected credit losses are described in Note 1 Accounting policies under IFRS. Impairment losses on loans and receivables, off-balance sheet items and changes during the financial year are presented in Note 14 Impairment of financial assets.

Risk management function reports exposures of customers, expected credit losses and non-performing receivables regularly to the Boards of Directors. The reports include, amongst other things, the amount and development of credit risk by customer group, industry sector and credit grade category.

CREDIT RISK POSITION

At the end of the financial year, Bonum Bank's total investment assets totalled EUR 259,963 (163,890) thousand. Investment assets increased during the year due to the increase in the liquidity reserve. The investment assets included in the liquidity reserve include certificates of receivables issued by governments, municipalities, credit institutions and corporations, some of which are secured and ECB-eligible loans.

The credit risk position of banking operations has increased because of the growth of the retail loan portfolio. Total amount of expected credit losses and final write offs grew due to grown loan portfolio and non-performing loans. The credit risk position of banking operations is expected to grow in line with the planned growth in the loan portfolio.

The loan portfolio of retail banking operations increased by 13.4 per cent during the financial year, reaching EUR 193,373 (170,485) thousand. Loans granted to retail customers accounted for 86.3 (83.1) per cent of the loan portfolio.

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 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.

At the end of the financial year, the gross amount of loans and receivables, certificates of receivables and off-balance sheet items in the highest risk category 8 totalled EUR 12,660 (7,523) thousand.

The tables below show receivables from customers, debt securities and off-balance sheet commitments in accordance with the stages defined in the calculation of expected credit losses by risk category. The table also shows the lower and upper limits of the PD for each risk category.

RECEIVABLES FROM CREDIT INSTITUTIONS

(EUR 1,000, gross value)	PD		31 Dec 2023				31 Dec 2022
Rating Class	**Lower**	**Upper**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
1-4	0.00	1.50	404,708	292	0	**405,000**	**724,860**
5	1.50	5.00	0	0	0	**0**	**-**
6	5.00	25.00	0	0	0	**0**	**-**
7	25.00	100.00	0	0	0	**0**	**-**
8	100.00	100.00	0	0	0	**0**	**-**
Total			404,708	292	0	**405,000**	**724,860**
ECL			0	1	0	**1**	**1**
Total			404,708	291	0	**404,999**	**724,859**

Loans and advances to credit institutions consist of intra-POP Bank Group items, the amount of which decreased by 44.1 per cent during the financial year.

RECEIVABLES FROM CUSTOMERS

(EUR 1,000, gross value)	PD		31 Dec 2023				31 Dec 2022
Rating Class	Lower	Upper	Stage 1	Stage 2	Stage 3	Total	Total
1-4	0.00	1.50	99,378	168	0	**99,546**	**102,907**
5	1.50	5.00	46,356	1,563	0	**47,918**	**30,303**
6	5.00	25.00	34,554	4,148	0	**38,702**	**31,468**
7	25.00	100.00	742	920	0	**1,662**	**3,253**
8	100.00	100.00	0	0	12,264	**12,264**	**7,133**
Total			181,029	6,800	12,264	**200,093**	**175,064**
ECL			1,667	168	4,884	**6,720**	**4,578**
Total			179,362	6,631	7,380	**193,373**	**170,485**

Receivables from customers mainly consist of unsecured loans 59.3 (50.9) per cent. The amount of the three lowest risk categories (risk categories 6-8) in receivables decreased to 27.2 (23.9) per cent during the financial year. The amount of stage two and three receivables increased to 9.9 (7.4) per cent.

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000, gross value)	PD		31 Dec 2023				31 Dec 2022
Rating Class	Lower	Upper	Stage 1	Stage 2	Stage 3	Total	Total
1-4	0.00	1.50	165,702	979	0	**166,680**	**156,598**
5	1.50	5.00	2,890	468	0	**3,358**	**2,885**
6	5.00	25.00	101	688	0	**789**	**584**
7	25.00	100.00	0	29	0	**29**	**41**
8	100.00	100.00	0	0	396	**396**	**391**
Total			168,693	2,164	396	**171,253**	**160,498**
ECL			194	42	70	**306**	**277**
Total			168,499	2,122	326	**170,947**	**160,221**

Off-balance sheet receivables mainly consist of unused credit card facilities 84.5 (84.1) per cent and intra-group items 13.1 (14.4) per cent.

DEBT SECURITIES

(EUR 1,000, gross value)	PD		31 Dec 2023				31 Dec 2022
Rating Class	Lower	Upper	Stage 1	Stage 2	Stage 3	Total	Total
1-4	0.00	1.50	258,757	293	0	**259,051**	**158,439**
5	1.50	5.00	0	0	0	**0**	**-**
6	5.00	25.00	0	0	0	**0**	**-**
7	25.00	100.00	0	0	0	**0**	**-**
8	100.00	100.00	0	0	0	**0**	**-**
Total			258,757	293	0	**259,051**	**158,439**
ECL			43	0	0	**43**	**13**
Total			258,714	293	0	**259,007**	**158,426**

Debt securities included in the liquidity reserve fall into the four highest risk categories. Tier 2 certificates are commercial papers used for liquidity management.

DOUBTFUL RECEIVABLES, FORBEARANCES AND IMPAIRMENT LOSSES

In 2023, impairment losses recorded from loans and receivables were EUR 3,306 thousand. During the financial period the total amount of credit losses were EUR 1,111 (-113) thousand. Expected credit losses (ECL) on loans and receivables and off-balance sheet commitments increased EUR 2,195 thousand to EUR 7,094 (4,899) thousand during the financial year.

Bank's receivables overdue for more than 90 days accounted for 6.5 (3.9) per cent of the loan portfolio. At the end of 2023, the Bank's receivables overdue for 30–90 days accounted for 1.7 (0.8) per cent of the loan portfolio. The total amount of doubtful receivables in proportion to the total credit portfolio reported during the financial year increased due to receivables risk scoring method which delays final write off bookings.

OVERDUE RECEIVABLES

(EUR 1,000)	31 Dec 2023	31 Dec 2022
31-90 days	3,255	1,386
over 90 days	12,606	6,703
Total	**15,861**	**8,089**

Expected credit losses (ECL) on loans and receivables and off-balance sheet commitments in ECL Stage 3 were EUR 4,954 (2,883) thousand. In ECL calculation, loans with more than 90 days overdue payments are classified to stage three. The amount of expected credit losses and the changes in them are presented in Note 14.

RISK CONCENTRATIONS

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 credit granted by Bonum Bank to a single customer and/or group of connected clients is managed through amalgamation level limits, in consideration with regulation in force.

COUNTERPARTY DISTRIBUTION OF LIQUID ASSETS

(EUR 1,000)	31 Dec 2023	31 Dec 2022
From central banks	485,020	436,911
Governments and public bodies	105,838	72,533
Credit institutions	156,835	94,067
From companies	2,355	3,087
Total	**750,047**	**606,599**

LIQUIDITY RISKS

Liquidity risk refers to Bonum Bank's ability to fulfil its commitments. Liquidity risk can be divided into short-term liquidity risk and long-term structural financing risk. Short-term liquidity risk refers to a situation in which the bank cannot without difficulty fulfil its liabilities to pay. Structural financing risk refers to a refinancing risk that arises from the difference in the maturities of balance sheet receivables and liabilities.

Managing liquidity risks

Bonum Bank's Board of Directors approves the liquidity strategy and liquidity management guidelines prepared by the central institution at the amalgamation level, which defines the principles, methods, restrictions and implementation for liquidity management. The Board of Directors of the central institution manages the implementation of the amalgamation's liquidity management, the methods used in it and monitors the adequacy and composition of the liquidity reserve.

Bonum Bank as the central credit institution is responsible for coordinating of the liquidity strategy of the amalgamation and supervises and monitors the fulfilment of the liquidity strategy of 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.

Bonum Bank as the central credit institution is responsible for managing the regulatory minimum levels of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) in the amalgamation level. The Central institution has released the member banks from the regulatory demands of liquidity coverage and net stable funding ratio with permission granted by the Finnish Financial Supervision Authority. According to the permission regulatory demands in liquidity risk have to be filled at amalgamation level only.

The central institution's Board of Directors approves the funding plan and the liquidity contingency plan written out by the management of the central credit institution. The central institution's risk monitoring 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 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.

Liquidity risk

The liquidity management of the Bonum Bank 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 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. 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 are 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 high-quality liquid assets under LCR regulation, is sufficient to cover outflow net cash flows in stress situations for 30 days. The NSFR measures the mismatch 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 RATIO

(per cent)	31 Dec 2023	31 Dec 2022
LCR	274	185
NSFR	133	134

The liquidity reserve of the amalgamation consists of high-quality liquid 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. In addition to the assets on the central credit institutions balance sheet, the amalgamation's liquidity reserve also includes liquid assets in the balance sheet of the other member credit institutions, that can be managed by the central credit institution on the basis of internal agreements. At the end of 2023, the market value of non-pledged financial assets and cash included in the liquidity reserve were in total of EUR 1,032.7 (779.7) million.

Bonum Bank 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.

Structural funding risk
The central credit institution's business involves funding risk arising from financial intermediation and the maturity transformation of lending activities. Bonum Bank acts as an internal bank of the amalgamation, provides wholesale funding to POP Banks, maintains a liquidity reserve and engages in retail banking and investment activities.

The table below shows the maturities of the Bonum Bank liabilities with interests. Instant deposits are assumed to mature immediately.

MATURITY DISTRIBUTION OF FINANCIAL LIABILITIES

	31 Dec 2023				
(EUR 1,000)	**To central banks**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
To central banks	70,000	8,400	0	0	78,400
Deposits	15,000	0	0	0	15,000
Issued debt instruments	83,965	0	199,931	0	283,896
Liabilities to credit institutions	411,611	12,700	748,399	173,662	1,346,372
Derivatives	0	0	1,798	0	1,798
Lease liabilities	55	208	353	0	616
Total	**580,632**	**21,308**	**950,482**	**173,662**	**1,726,083**

MATURITY DISTRIBUTION OF FINANCIAL LIABILITIES

	31 Dec 2022				
(EUR 1,000)	**Under 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
To central banks	0	50,000	78,400	0	128,400
Deposits	20,000	13,400	0	0	33,400
Issued debt instruments	49,953	67,369	204,892	0	322,214
Liabilities to credit institutions	382,226	29,800	576,710	5,828	994,565
Lease liabilities	40	123	166	0	329
Total	**452,220**	**160,692**	**866,144**	**5,828**	**1,484,883**

At the end of the financial year, Bonum Bank had EUR 255 (255) million in unsecured senior loans issued under the EUR 750 million bond program. EUR 28.9 (67.3) million of the Bank's EUR 250 million certificates of deposits program was issued. In addition, Bonum Bank has a EUR 22.2 million loan program with the Nordic Investment Bank NIB. At the end of 2023, Bonum Bank had European Central Bank's TLTRO III funding for EUR 78.4 (128.4) million.

MARKET RISKS

Market risk refers to the probability of loss resulting from changes in interest rates or other market prices. The market risk classes are interest rate, currency, equity and commodity 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 timely monitoring of the risk exposures. Within the amalgamation of POP Banks, the central institution's Board of Directors confirms the market risk strategy and market risk management guidelines, which create the foundation for market risk management at Bonum Bank. Bonum Bank's Board of Directors confirm the maximum levels for market risks and the investment policy within the investment plan according to the market risk strategy. The capital adequacy management process is a central process for the measurement and monitoring of the market risks in the balance sheet, involving capital allocation for market risk.

In the amalgamation, market risk exposure is limited in terms of trading, interest rate risk, currency risk, derivatives, structured products and commodity risk. Bonum Bank does not engage in trading activities. The use of derivatives is limited to hedging purposes only.

Currency risk is not taken at all in lending; all loans are granted in euros. Currency risk arises to a small extent through strategic shareholdings and from customers foreign currency payments. Commodity risk is not allowed.

Interest rate risk in the banking book

The interest rate risk is the most significant market risk in Bonum Bank's business operations. Interest rate risk refers to the effect of changes in interest rate levels on the market value or net interest income of balance sheet items and off-balance sheet items. Interest rate risk arises from differences in the interest terms of receivables and liabilities and mismatches in interest rate repricing and maturity dates. Interest rate risk arises from the liquidity reserve investment activities and the banking book operations.

Bonum Bank monitors the interest rate risk by with present value method and dynamic income risk model on a monthly basis. The present value method measures how changes in interest rates change the constructed market value of the balance sheet. In the present value method, the market value of the balance sheet is calculated as the present value of the expected cash flows of individual balance sheet items. Interest rate sensitivity indicators are primarily used to monitor the market value changes caused by the changes in the interest rates and credit spreads of investment items in different interest rate scenarios. The income risk model predicts the future net interest income and its changes in various market rate scenarios within a time frame of 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 objective of interest rate management is to stabilise the interest rate risk involved in the bank's balance sheet to a level at which business is profitable, but profit or capital adequacy are not threatened even in considerable changes of the interest rate environment.

Interest rate risk is managed primarily by planning the balance sheet structure, such as the interest rate fixing or maturity of assets and liabilities. During the financial period, Bonum Bank executed derivative hedges to decrease interest rate risk in member banks' banking book.

INTEREST RATE SENSITIVITY ANALYSIS, EFFECT OF 1 PERCENTAGE POINT PARALLEL CHANGE IN INTEREST RATE

	31 Dec 2023		
(EUR 1,000)	**Change**	**Effect on result**	**Effect on equity**
Interest rate risk	+1 percentage point	-563	-375
Interest rate risk	-1 percentage point	567	355

INTEREST RATE SENSITIVITY ANALYSIS, EFFECT OF 1 PERCENTAGE POINT PARALLEL CHANGE IN INTEREST RATE

	31 Dec 2022		
(1 000 euroa)	**Change**	**Effect on result**	**Effect on equity**
Interest rate risk	+1 percentage point	-401	-1,238
Interest rate risk	-1 percentage point	395	1,290

The impact of the interest rate risk on operating income has been calculated as a change to the 12-month forecast of the net interest income, assuming one percentage point upward or downward parallel interest rate level shift. The effect on own funds has been determined through present value change in balance sheet with the same interest rate shocks.

Investment and liquidity portfolio

The investment and liquidity portfolio of the central credit institution consists of liquid securities and other investments included in the banks' balance sheet. Market risk emerges in these investment activities, consisting mainly of counterparty and interest rate risks. The objective in investing activities 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 by 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 effect of changes in interest rates or share prices on profit will not threaten the capital adequacy or profitability of the bank or the entire amalgamation.

Risk appetite in the investment portfolio is assessed in relation to the earnings and own funds. The breakdown of investment assets is described in Note 17 Investment Assets.

OPERATIONAL RISKS

Operational risks refer to financial losses or other harmful consequences to business that may be caused by internal inadequacies or errors in systems, processes, procedures and the actions of personnel, or by external factors affecting the business. All business processes, including credit and investment processes, involve operational risks. The operational risk of Bonum Bank also arises from outsourced operations and major ICT and business projects.

Bonum Bank's Board of Directors approves the principles of operational risk management and other guidelines as binding instructions given by the central institution. Targeted risk level is moderate.

Risk identification and assessment as well as evaluation of functionality and sufficiency of controls is essential in operative risk management. Bonum Bank assesses the probability of occurrence and impact of the identified operational risks in risk self-assessment based on the relevant business processes.

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 compliance and risk monitoring function.

Some of the losses caused by operational risks are hedged through insurance. Risks caused by malfunctions of information systems are prepared for by continuity planning.

Bonum Banks' executive management monitors operational risks by collecting information on operational risk events, incidents, financial losses and any malpractices encountered, in order to assess the risk involved and take timely mitigating actions if necessary. Risk Control reports significant operative risk events and risk assessment results to the board as well as to the central institutions compliance function.

STRATEGIC RISK

Strategic risk refers to losses caused by choosing wrong strategy or business model in relation to the development of the bank's operating environment. The losses may also be caused by unsuccessful implementation of strategy, unexpected changes in the competitive environment or responding too slowly to changes.

Bonum Bank aims to minimise strategic risks by means of regular updates of its strategic and annual plans. Analyses of the condition and development of 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.

NOTES TO INCOME STATEMENT

NOTE 3 INTEREST INCOME AND EXPENSES

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Interest income		
Loans and advances to credit institutions	44,038	7,662
Loans and advances to customers	14,683	8,805
Debt securities		
At amortised cost	2,539	361
At fair value through profit or loss	3,934	627
Hedging derivatives	9,469	1,360
Other interest income	1	-15
Total interest income	**74,665**	**18,800**
of which positive interest expense	0	1,164
Interest expenses		
Liabilities to credit institutions	-37,172	-4,279
Liabilities to customers	-491	-512
Debt securities issued to the public	-11,673	-2,924
Hedging derivatives	-12,253	-897
Other interest expenses	-76	-28
Total interest expenses	**-61,665**	**-8,639**
of which negative interest income	-7	-847
Net interest income	**12,999**	**10,161**

Income and expense by measurement category is presented in Note 11.

NOTE 4 NET COMMISSIONS AND FEES

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Commissions and fees		
Lending	988	619
Card business	4,964	5,275
Payment transfers	4,130	4,030
Other commission income	0	1
Total commissions and fees	**10,082**	**9,925**
Commissions expenses		
Card business	-1,932	-1,806
Payment transfers	-819	-792
Other commission expenses	-105	-42
Total commission expenses	**-2,856**	**-2,639**
Net commissions and fees	**7,226**	**7,285**

NOTE 5 NET INVESTMENT INCOME

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
At fair value through profit or loss		
Derivatives		
Fair value gains and losses	-1	-
Total	**-1**	**0**
At fair value through other comprehensive income		
Debt securities		
Transferred from fair value reserve to the income statement	0	-2
Shares and participations		
Dividend income*	7	71
Total	**7**	**69**
Net income from foreign exchange trading	**169**	**192**
Net income from hedge accounting		
Change in hedging instruments' fair value	13,399	-5,975
Change in hedged items' fair value	-14,343	6,173
Total	**-944**	**198**
Total net investment income	**-769**	**459**

* Dividend income from equity shares measured at fair value through other comprehensive income held in the end of the financial period is EUR 7 (71) thousand.

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

NOTE 6 OTHER OPERATING INCOME

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Business development fees from banks	0	19
Central credit institution services excl. payment transfer	57	62
Other income	5,109	4,116
Total other operating income	**5,167**	**4,196**

The "Other income" item includes mainly intra-group charges and service fees.

NOTE 7 PERSONNEL EXPENSES

(1 000 euroa)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Wages and salaries	-4,441	-3,762
Indirect personnel expenses	-186	-150
Pension costs		
Defined contribution plans	-783	-671
Total personnel expenses	**-5,409**	**-4,583**

On 31 December 2023, the bank had 88 (66) employees. On average, during year 2023, the bank had 81 (59) employees.

Related party fees are specified in Note 30 Related party disclosures.

NOTE 8 OTHER OPERATING EXPENSES

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Other operating expenses		
Other personnel expenses	-401	-267
Office expenses	-2,026	-1,950
ICT expenses	-8,109	-7,509
Telecommunications	-422	-368
Entertainment and marketing expenses	-101	-80
Other administrative expenses total	**-11,058**	**-10,174**
Other operating expenses		
Rental expenses	-145	-106
Audit fees	-33	-36
Other operating expenses	-746	-547
Other operating expenses total	**-923**	**-689**
Total other operating expenses	**-11,982**	**-10,863**
Audit fees		
Audit services	-33	-29
Audit-related services according to Auditing Act 1.1,2 §	0	-7
Tax advisory	0	0
Other services	0	0
Total audit fees	**-33**	**-36**

Expenses from items covered by exemptions providing practical relief are presented in the rental expenses and expenses from owner-occupied properties.

Other than audit services from KPMG Oy Ab totalled to EUR 0 (0) thousand during the financial year 2023.

NOTE 9 DEPRECIATION, AMORTISATION AND IMPAIRMENT

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Machinery and equipment	-18	-17
Right of use assets	-159	-159
Intangible assets	-729	-773
Total depreciation, amortisation and impairment	**-911**	**-949**

More detailed information about right off use assets is provided in Note 29.

NOTE 10 INCOME TAX

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Current tax	-617	-1,206
Tax for prior financial years	-9	1
Withholding tax paid outside Finland	-2	-19
Change in deferred tax assets	20	-3
Change in deferred tax liabilities	0	389
Total income tax expense	**-609**	**-838**

RECONCILIATION BETWEEN TAX EXPENSE IN THE INCOME STATEMENT AND TAX EXPENSE CALCULATED USING THE APPLICABLE TAX RATE

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Profit before tax	3,015	4,221
Income tax rate	20%	20%
Tax calculated at the tax rate	-603	-844
Taxable income not included in the profit	-	-384
Change in deferred tax liability	-	384
Deductible expenses not included in the profit	4	5
Tax for prior financial years	-9	1
Tax expense in the income statement	**-609**	**-838**

NOTES TO ASSETS

NOTE 11 NET INCOME AND EXPENSES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT CATEGORY

(EUR 1,000) Financial assets	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
At fair value through other comprehensive income		
Interest income and expenses	6,417	535
Transferred from fair value reserve	0	-2
Dividend income	7	71
Expected credit loss	6	5
Total	6,430	609
At amortised cost		
Interest income and expenses	**21,038**	**12,086**
Other income	2,807	2,315
Expected credit loss	-2,170	-1,603
Total	**21,675**	**12,798**

Financial liabilities	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
At amortised cost		
Interest income and expenses	-11,673	-2,924
Total	**-11,673**	**-2,924**
At fair value through profit or loss		
Hedging derivatives		
Fair value gains and losses	-944	198
Interest income and expenses	-2,784	463
Total	**-3,728**	**661**
Net income from foreign exchange operation	**169**	**192**
Total	**12,874**	**11,336**

NOTE 12 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS 31 DEC 2023

(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	485,020		-	-	**485,020**
Loans and advances to credit institutions	849,550		-	-1	**849,549**
Loans and advances to customers	200,093		-	-6,720	**193,373**
Derivatives	-	9,220	-	-	**9,220**
Debt securities*	144,655		114,368	-16	**259,007**
Shares and participations	-		956	-	**956**
Financial assets total	**1,679,317**	**9,220**	**115,324**	**-6,736**	**1,797,126**
Other assets					**40,493**
Total assets					**1,837,618**

* Expected credit loss of EUR 24 (30) thousand from debt securities have been recorded in the fair value reserve.

FINANCIAL ASSETS 31 DEC 2022

(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	436,911		-	-	**436,911**
Loans and advances to credit institutions	778,258		-	-1	**778,257**
Loans and advances to customers	175,064		-	-4,578	**170,485**
Debt securities*	50,853		112,234	-11	**163,076**
Shares and participations	-		815	-	**815**
Financial assets total	**1,441,086**		**113,049**	**-4,590**	**1,549,544**
Other assets					**25,050**
Total assets					**1,574,594**

* Expected credit loss of EUR 30 thousand from debt securities have been recorded in the fair value reserve.

FINANCIAL LIABILITIES 31 DEC 2023

(EUR 1,000)	At fair value through other comprehensive income	At amortised cost	Total carrying amount
Liabilities to credit institutions	-	1,424,772	**1,424,772**
Liabilities to customers	-	33,435	**33,435**
Derivatives	1,798	-	**1,798**
Debt securities issued to the public	-	283,896	**283,896**
Financial liabilities total	**1,798**	**1,742,104**	**1,743,902**
Other liabilities			**43,173**
Total liabilities			**1,787,075**

FINANCIAL LIABILITIES 31 DEC 2022

(EUR 1,000)	At fair value through other comprehensive income	At amortised cost	Total carrying amount
Liabilities to credit institutions	-	1,122,965	**1,122,965**
Liabilities to customers	-	55,930	**55,930**
Derivatives	5,975	-	**5,975**
Debt securities issued to the public	-	322,214	**322,214**
Financial liabilities total	**5,975**	**1,501,109**	**1,507,085**
Other liabilities			**20,853**
Total liabilities			**1,527,938**

NOTE 13 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUES BY VALUATION TECHNIQUE

FINANCIAL ASSETS

	31 Dec 2023		31 Dec 2022	
(EUR 1,000)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Liquid assets	485,020	485,020	436,911	436,911
Loans and advances to credit institutions	849,549	849,549	778,257	778,257
Loans and advances to customers	193,373	191,872	170,485	168,477
Investment assets	9,220	9,220	-	-
At amortised cost				
At fair value through profit or loss	144,639	147,546	50,842	50,170
Total	115,324	115,324	113,049	113,049
Total	**1,797,126**	**1,798,530**	**1,549,544**	**1,546,864**

FINANCIAL LIABILITIES

	31 Dec 2023		31 Dec 2022	
(EUR 1,000)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Liabilities to credit institutions	1,424,772	1,424,750	1,122,965	1,122,911
Liabilities to customers	33,435	33,435	55,930	55,930
Derivatives	283,896	280,693	322,214	315,109
Debt securities issued to the public	1,798	1,798	5,975	5,975
Total	**1,743,902**	**1,740,676**	**1,507,085**	**1,499,926**

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECURRENTLY RECOGNISED AT FAIR VALUE

ASSETS RECURRENTLY MEASURED AT FAIR VALUE 31 DEC 2023

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
At fair value through other comprehensive income				
Derivatives		9,220		**9,220**
At fair value through other comprehensive income				
Shares and participations	-	-	956	**956**
Debt securities	80,549	33,819	-	**114,368**
Total	**80,549**	**43,039**	**956**	**124,545**

LIABILITIES RECURRENTLY MEASURED AT FAIR VALUE 31 DEC 2023

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
At fair value through profit or loss				
Derivatives	-	1,798	-	**1,798**
Total financial liabilities	**0**	**1,798**	**0**	**1,798**

ASSETS RECURRENTLY MEASURED AT FAIR VALUE 31 DEC 2022

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
At fair value through other comprehensive income				
Shares and participations	-	-	815	**815**
Debt securities	68,591	43,642	-	**112,234**
Total	**68,591**	**43,642**	**815**	**113,049**

LIABILITIES RECURRENTLY MEASURED AT FAIR VALUE 31 DEC 2022

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
At fair value through profit or loss				
Derivatives	-	5,975	-	**5,975**
Total financial liabilities	**0**	**5,975**	**0**	**5,975**

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECOGNIZED AT AMORTISED COST

ASSETS MEASURED AT AMORTISED COST 31 DEC 2023

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Loans and advances to credit institutions	-	849,549	-	849,549	849,549
Loans and advances to customers	-	193,373	-	191,872	193,373
Debt securities	-	144,639	-	147,546	144,639
Total	**-**	**1,187,562**	**-**	**1,188,966**	**1,187,562**

LIABILITIES MEASURED AT AMORTISED COST 31 DEC 2023

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Liabilities to credit institutions	-	1,424,772	-	1,424,750	1,424,772
Liabilities to customers	-	33,435	-	33,435	33,435
Debt securities issued to the public	-	283,896	-	280,693	283,896
Total	**-**	**1,742,104**	**-**	**1,738,878**	**1,742,104**

ASSETS MEASURED AT AMORTISED COST 31 DEC 2022

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Loans and advances to credit institutions	-	778,257	-	778,257	778,257
Loans and advances to customers	-	168,477	-	168,477	170,485
Debt securities	-	50,170	-	50,170	50,842
Total	**-**	**996,904**	**-**	**996,904**	**999,585**

LIABILITIES MEASURED AT AMORTISED COST 31 DEC 2022

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Liabilities to credit institutions	-	1,122,911	-	1,122,911	1,122,965
Liabilities to customers	-	55,930	-	55,930	55,930
Debt securities issued to the public	-	315,109	-	315,109	322,214
Total	**-**	**1,493,950**	**-**	**1,493,950**	**1,501,109**

FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are recorded in the balance sheet either at fair value or at amortised cost. The classification and measurement of financial instruments is described in more detail in Note 2 POP Bank Group's accounting policies.

FAIR VALUE HIERARCHIES

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

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

Level 3 includes financial instruments and other assets and liabilities that are not measured using market quotations or values determined on the basis of observable market prices using measurement techniques or models. The assumptions applied in the measurement techniques often involve insecurity. The fair value of assets allocated to Level 3 is often based on price information obtained from a third party. This group includes unlisted shares and funds 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.

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 2023		**815**	**815**
Changes in value recognised in other comprehensive income		141	**141**
Carrying amount 31 Dec 2023		**956**	**956**

(EUR 1,000)	At fair value through profit or loss	At fair value through other comprehensive income	Total
Carrying amount 1 Jan 2022		**2,962**	**2,962**
Purchases		310	**310**
Sales		-765	**-765**
Changes in value recognised in other comprehensive income		230	**230**
Realised changes in value recognised in retained earnings		-1,922	**-1,922**
Carrying amount 31 Dec 2022		**815**	**815**

SENSITIVITY ANALYSIS OF FINANCIAL ASSETS AT LEVEL 3
31 DEC 2023

(EUR 1,000)	Carrying amount	Possible effect on equity capital Positive	Negative
At fair value through other comprehensive income	956	143	-143
Total	**956**	**143**	**-143**

31 DEC 2022

(EUR 1,000)	Carrying amount	Possible effect on equity capital Positive	Negative
At fair value through other comprehensive income	815	122	-122
Total	**815**	**122**	**-122**

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%.

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

NOTE 14 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

IMPAIRMENT LOSSES RECORDED DURING THE REPORTING PERIOD

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Change of ECL due to write-offs	568	231
Change of ECL, receivables from customers and off-balance sheet items	-2,738	-1,834
Change of ECL, debt securities	-25	6
Final credit losses	-1,111	113
Impairment losses on financial assets total	**-3,306**	**-1,485**

During the financial year, EUR -1,111 (113) thousand was recognised as final credit loss. Recollection measures are attributed to the whole amount of 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 IFRS financial statements of the Bonum Bank on 31 December 2023, Note 1 Accounting policies.

RECEIVABLES FROM CUSTOMERS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2023	**1,549**	**213**	**2,816**	**4,578**
Transfers to stage 1	47	-57	-369	-379
Transfers to stage 2	-163	70	-129	-222
Transfers to stage 3	-159	-57	2,172	1,956
Increases due to origination	769	65	952	1,786
Decreases due to derecognition	-305	-43	-599	-948
Changes due to change in credit risk (net)	-70	-22	608	516
Decreases due to write-offs	0	0	-568	-568
Total	**118**	**-44**	**2,068**	**2,141**
ECL 31 Dec 2023	**1,667**	**168**	**4,884**	**6,720**

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2023	**172**	**39**	**67**	**277**
Transfers to stage 1	3	-20	-35	-52
Transfers to stage 2	-3	13	-1	10
Transfers to stage 3	-1	-1	16	14
Increases due to origination	39	20	19	78
Decreases due to derecognition	-1	0	-1	-1
Changes due to change in credit risk (net)	-15	-8	5	-19
Total	**22**	**3**	**3**	**29**
ECL 31 Dec 2023	**194**	**42**	**70**	**306**

DEBT SECURITIES

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2023	**43**	**0**	**0**	**43**
Increases due to origination	46	0	0	46
Decreases due to derecognition	-9	0	0	-9
Changes due to change in credit risk (net)	-12	0	0	-12
Total	**25**	**0**	**0**	**25**
ECL 31 Dec 2023	**68**	**0**	**-**	**68**

RECEIVABLES FROM CREDIT INSTITUTIONS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2023	**1**	**0**	**0**	**1**
Changes due to change in credit risk (net)	-1	1	0	0
Total	**-1**	**1**	**0**	**0**
ECL 31 Dec 2023	**0**	**1**	**0**	**1**

ECL 1 Jan 2023	**1,765**	**251**	**2,883**	**4,899**
ECL 31 Dec 2023	**1,929**	**211**	**4,954**	**7,094**

RECEIVABLES FROM CUSTOMERS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2022	**1,265**	**119**	**1,632**	**3,016**
Transfers to stage 1	7	-20	-125	-138
Transfers to stage 2	-140	64	-33	-109
Transfers to stage 3	-116	-44	1,493	1,333
Increases due to origination	915	131	255	1,301
Decreases due to derecognition	-283	-34	-427	-745
Changes due to change in credit risk (net)	-99	-3	253	151
Decreases due to write-offs	0	0	-231	-231
Total	**284**	**94**	**1,185**	**1,563**
ECL 31 Dec 2022	**1,549**	**213**	**2,816**	**4,578**

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2022	**187**	**10**	**36**	**233**
Transfers to stage 1	1	-5	-13	-17
Transfers to stage 2	-10	17	-1	6
Transfers to stage 3	-1	0	16	14
Increases due to origination	27	19	27	73
Decreases due to derecognition	-8	0	0	-8
Changes due to change in credit risk (net)	-25	-1	3	-23
Total	**-15**	**29**	**31**	**44**
ECL 31 Dec 2022	**172**	**39**	**67**	**277**

DEBT SECURITIES

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2022	**48**	**1**	**0**	**49**
Increases due to origination	15	0	0	15
Decreases due to derecognition	-19	0	0	-19
Changes due to change in credit risk (net)	-1	-1	0	-2
Total	**-5**	**-1**	**0**	**-6**
ECL 31 Dec 2022	**43**	**0**	**-**	**43**

RECEIVABLES FROM CREDIT INSTITUTIONS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2022	**4**	**0**	**0**	**4**
Decreases due to derecognition	-1	0	0	-1
Changes due to change in credit risk (net)	-3	0	0	-3
Total	**-4**	**0**	**0**	**-3**
ECL 31 Dec 2022	**1**	**0**	**0**	**1**
	0			
ECL 1 Jan 2022	**1,504**	**130**	**1,668**	**3,302**
ECL 31 Dec 2022	**1,765**	**251**	**2,883**	**4,899**

CREDIT RISK BY STAGES 31 DEC 2023

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	143,138	6,678	12,144	161,960
Corporate	37,891	122	120	38,133
Receivables from customers total	**181,029**	**6,800**	**12,264**	**200,093**
ECL 31 Dec 2023	1,667	168	4,884	6,720
Coverage ratio	0,9%	2.5%	39.8%	3.4%
Off-balance sheet commitments				
Private	160,317	2,082	380	162,779
Corporate	8,657	82	15	8,754
Off-balance sheet commitments total	**168,974**	**2,164**	**396**	**171,533**
ECL 31 Dec 2023	194	42	70	306
Coverage ratio	0.1%	1.9%	17.6%	0.2%
Debt securities				
ECL 31 Dec 2023	68	0	-	68
Coverage ratio	0.0%	0.0%	0.0%	0.0%
Receivables from credit institutions	**404,708**	**292**	**0**	**405,000**
ECL 31 Dec 2023	0	1	0	1
Coverage ratio	0.0%	0.0%	0.0%	0.0%
Credit risk by stages total	**1,013,468**	**9,549**	**12,660**	**1,035,677**

The table above summarizes the exposure to credit risk and the amount of the expected credit loss 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 coverate ratio during the period.

CREDIT RISK BY STAGES 31 DEC 2022

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	124,766	5,684	7,048	137,498
Corporate	37,385	96	84	37,566
Receivables from customers total	**162,151**	**5,780**	**7,133**	**175,064**
ECL 31 Dec 2022	1,549	213	2,816	4,578
Coverage ratio	1.0%	3.7%	39.5%	2.6%
Off-balance sheet commitments				
Private	151,604	1,725	386	153,715
Corporate	6,698	81	5	6,784
Off-balance sheet commitments total	**158,302**	**1,806**	**391**	**160,498**
ECL 31 Dec 2022	172	39	67	277
Coverage ratio	0.1%	2.1%	17.1%	0.2%
Debt securities	**153,791**	**300**	**0**	**154,091**
ECL 31 Dec 2022	43	0	-	43
Coverage ratio	0.0%	0.0%	0.0%	0.0%
Receivables from credit institutions	**724,641**	**219**	**0**	**724,860**
ECL 31 Dec 2022	1	0	0	1
Coverage ratio	0.0%	0.0%	0.0%	0.0%
Credit risk by stages total	**1,198,884**	**8,105**	**7,524**	**1,214,513**

NOTE 15 LIQUID ASSETS

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Cash	0	0
Receivables from central banks repayable on demand	485,020	436,911
Total cash and cash equivalents	**485,020**	**436,911**

Cash and cash equivalents include cheque account with the Bank of Finland.

NOTE 16 LOANS AND ADVANCES

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Loans and advances to credit institutions		
Deposits		
Repayable on demand	444,549	53,397
Other	405,000	724,860
Total loans and advances to credit institutions	**849,549**	**778,257**
Loans and advances to customers		
Loans	135,530	117,518
Credit card receivables	57,823	51,400
Other receivables	20	1,568
Total loans and advances to customers	**193,373**	**170,485**
Total loans and advances	**1,042,922**	**948,743**

NOTE 17 INVESTMENTS ASSETS

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Measured at amortised cost		
Debt securities	144,639	50,842
At fair value through other comprehensive income		
Debt securities	114,368	112,234
Shares and participations	956	815
Investment assets total	**259,963**	**163,891**

INVESTMENTS 31 DEC 2023

	At amortised cost	At fair value through other comprehensive income		
(EUR 1,000)	Debt securities	Debt securities	Shares and participations	Total
Quoted				
Public sector entities		24,309		24,309
Other	144,639	60,174		204,814
Other				
Public sector entities		29,885		29,885
Other			956	956
Total investments	**144,639**	**114,368**	**956**	**259,963**

INVESTMENTS 31 DEC 2022

	At amortised cost	At fair value through other comprehensive income		
(EUR 1,000)	Debt securities	Debt securities	Shares and participations	Total
Quoted				
Public sector entities		24,273		24,273
Other	50,842	44,319		95,160
Other				
Public sector entities		43,642		43,642
Other			815	815
Total investments	**50,842**	**112,234**	**815**	**163,891**

NOTE 18 INTANGIBLE ASSETS

Bonum Bank's intangible assets are information systems over which Bonum Bank has control as referred to in IAS 38 Intangible assets. The information systems are implemented by POP Bank Group's partners of which the most important is Samlink Ltd.

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Information systems	329	1,057
Total intangible assets	**329**	**1,057**

CHANGES IN INTANGIBLE ASSETS 2023

(EUR 1,000)	Tieto-järjestelmät	Keskeneräiset aineettomat hyödykkeet	Muut aineettomat hyödykkeet	Yhteensä
Acquisition cost 1 Jan	**6,431**	**0**	**20**	**6,451**
Acquisition cost 31 Dec	**6,431**	**0**	**20**	**6,451**
Accumulated amortisation and impairments 1 Jan	**-5,374**	**-**	**-20**	**-5,394**
Amortisation	-729	-	0	-729
Accumulated amortisation and impairments 31 Dec	**-6,102**	**-**	**-20**	**-6,122**
Carrying amount 1 Jan	**1,057**	**0**	**0**	**1,057**
Carrying amount 31 Dec	**329**	**0**	**0**	**329**

CHANGES IN INTANGIBLE ASSETS 2022

(EUR 1,000)	Tieto-järjestelmät	Keskeneräiset aineettomat hyödykkeet	Muut aineettomat hyödykkeet	Yhteensä
Acquisition cost 1 Jan	**6,431**	**102**	**20**	**6,553**
Transfers	0	-102	-	-102
Acquisition cost 31 Dec	**6,431**	**0**	**20**	**6,451**
Accumulated amortisation and impairments 1 Jan	**-4,606**	**-**	**-14**	**-4,621**
Amortisation	-768	-	-6	-773
Accumulated amortisation and impairments 31 Dec	**-5,374**	**-**	**-20**	**-5,394**
Carrying amount 1 Jan	**1,825**	**102**	**6**	**1,933**
Carrying amount 31 Dec	**1,057**	**0**	**0**	**1,057**

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Machinery and equipment	38	35
Right-of-use assets	610	324
Total property, plant and equipment	**648**	**359**

CHANGES IN PROPERTY, PLANT AND EQUIPMENT 2023

(EUR 1,000)	Right-of-use items	Machinery and equipment	Total
Acquisition cost 1 Jan	**867**	**195**	**1,062**
Increases	451	21	472
Acquisition cost 31 Dec	**1,318**	**216**	**1,535**
Accumulated depreciation and impairment 1 Jan	**-543**	**-160**	**-704**
Depreciation	-165	-18	-183
Accumulated depreciation and impairment 31 Dec	**-708**	**-178**	**-886**
Carrying amount 1 Jan	**324**	**35**	**359**
Carrying amount 31 Dec	**610**	**38**	**648**

The right of use assets, according IFRS 16, are included in Property, Plant and Equipment. An itemisation of fixed asset items is provided in Note 29.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT 2022

(EUR 1,000)	Right-of-use items	Machinery and equipment	Total
Acquisition cost 1 Jan	**693**	**195**	**888**
Increases	174	0	174
Acquisition cost 31 Dec	**867**	**195**	**1,062**
Accumulated depreciation and impairment 1 Jan	**-384**	**-143**	**-527**
Depreciation	-159	-17	-176
Accumulated depreciation and impairment 31 Dec	**-543**	**-160**	**-704**
Carrying amount 1 Jan	**309**	**52**	**361**
Carrying amount 31 Dec	**324**	**35**	**359**

NOTE 20 OTHER ASSETS

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Accrued income and prepaid expenses		
Interest	20,303	8,282
Other accrued income and prepaid expenses	4,001	4,779
Other assets	15,005	10,057
Total other assets	**39,309**	**23,118**

NOTE 21 DEFERRED TAXES

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Tax assets		
Deferred tax assets	207	515
Total tax assets	**207**	**515**
Tax liabilities		
Deferred tax liabilities	186	144
Income tax liabilities	17	706
Total tax liabilities	**203**	**850**

DEFERRED TAX ASSETS

(EUR 1,000)	1 Jan 2023	Recognised through profit or loss	Recognised in other comprehensive income	31 Dec 2023
At fair value through other comprehensive income	514	-	-329	186
Deferred tax assets on losses	1	20	-	21
Advances received	0	0	-	0
Deferred tax assets total	**515**	**20**	**-329**	**207**

(EUR 1,000)	1 Jan 2022	Recognised through profit or loss	Recognised in other comprehensive income	31 Dec 2022
At fair value through other comprehensive income	0	-	514	514
Deferred tax assets on losses	0	1	-	1
Advances received	4	-4	-	0
Deferred tax assets total	**5**	**-3**	**514**	**515**

DEFERRED TAX LIABILITIES

(EUR 1,000)	1 Jan 2023	Recognised through profit or loss	Recognised in other comprehensive income	31 Dec 2023
At fair value through other comprehensive income	131	-	42	172
Intangible assets	13	-	-	13
Deferred tax liabilities total	**144**	**0**	**42**	**186**

(EUR 1,000)	1 Jan 2022	Recognised through profit or loss	Recognised in other comprehensive income	31 Dec 2022
At fair value through other comprehensive income	517	-384	-386	131
Intangible assets	18	-5	-	13
Deferred tax liabilities total	**535**	**-389**	**-386**	**144**

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME AND RELATED DEFERRED TAXES 2023

(EUR 1,000)	Gross change	Deferred tax	Net change
Fair value reserve	1,851	-370	1,481
Amounts recognised in other comprehensive income, total	**1,851**	**-370**	**1,481**

AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME AND RELATED DEFERRED TAXES 2022

(EUR 1,000)	Gross change	Deferred tax	Net change
Fair value reserve	-4,501	900	-3,601
Amounts recognised in other comprehensive income, total	**-4,501**	**900**	**-3,601**

NOTES FOR LIABILITIES AND EQUITY

NOTE 22 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Liabilities to credit institutions		
To central banks	78,400	128,400
To other credit institutions		
Repayable on demand	347,519	326,780
Not repayable on demand	998,853	667,785
Total liabilities to credit institutions	**1,424,772**	**1,122,965**
Liabilities to customers		
Deposits		
Repayable on demand	33,435	55,930
Total liabilities to customers	**33,435**	**55,930**
Total liabilities to credit institutions and customers	**1,458,207**	**1,178,895**

Liabilities to central banks includes secured TLTRO III funding total of EUR 78,400 thousand. The funding matures in, March 2024 (EUR 70,000 thousand) and June 2024 (EUR 8,400 thousand) but for which early repayment has been possible from January 2023 onwards. The interest rate for TLTRO funding is based on the ECB's deposit rate and the growth of the bank's net lending.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%. ECB recalibrated the conditions of the third series of targeted longer-term refinancing operations (TLTRO III) from 11/2022 onwards. POP Bank Group has used ECB deposit rate as interest rate for the loans for 2023. 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 23 DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

Bonum Bank uses interest rate swap agreements for interest rate hedging and hedge accounting for fair value hedging. The hedged instruments have fixed interest rate.The nominal value of the fair value hedged instruments at the end of the reporting period was EUR 624,900 thousand. This item is included in "Loans and advances to credit institutions". The nominal values of the derivative contracts match with the nominal values of the hedged instruments.

NOMINAL VALUES OF UNDERLYING ASSETS AND FAIR VALUES OF DERIVATIVES

31 DEC 2023	Nominal value / Remaining maturity				Fair value	
(EUR 1,000)	Less than 1 year	1-5 years	More than 5 years	Total	Assets	Liabilities
Hedging derivatives						
Fair value hedging						
Interest rate derivatives	-	524,900	100,000	624,900	9,220	1,798
Derivatives total	**-**	**524,900**	**100,000**	**624,900**	**9,220**	**1,798**

31 DEC 2022	Nominal value / Remaining maturity				Fair value	
(EUR 1,000)	Less than 1 year	1-5 years	More than 5 years	Total	Assets	Liabilities
Hedging derivatives						
Fair value hedging						
Interest rate derivatives	-	200,000	-	200,000	-	5,975
Derivatives total	**-**	**200,000**	**-**	**200,000**	**-**	**5,975**

EFFECTS OF HEDGE ACCOUNTING ON FINANCIAL POSITION AND RESULT

Fair value hedging (EUR 1,000)	31 Dec 2023	31 Dec 2022
Liabilities		
Carrying amount of hedged liabilities to customers	633,069	193,827
of which the accrued amount of hedge adjustments	8,169	-6,173

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

31 DEC 2023				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivatives	16,575	0	16,575	6,104	11,790	0	0
Total	**16,575**	**0**	**16,575**	**6,104**	**11,790**	**0**	**0**
Liabilities							
Derivatives	6,104	0	6,104	6,104	0	0	0
Total	**6,104**	**0**	**6,104**	**6,104**	**0**	**0**	**0**

In 2022 derivative contracts have been reported as assets and liabilities.

NOTE 24 DEBT SECURITIES TO THE PUBLIC

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Debt securities issued to the public	254,931	254,892
Certificates of deposits	28,965	67,323
Total debt securities issued to the public	**283,896**	**322,214**

At the end of reporting period there are 3 pcs of Certificates of deposits, total nominal value EUR 29,000 (67,500) thousand, value between EUR 2,000-20,000 thousand and average maturity 9,3 months.

DEBT SECURITIES ISSUED TO THE PUBLIC

Name	Issue date	Due date	Interest	Nominal	Currency
BONUM 17012024	3.6.2020	17.1.2024	EB 12 months + 1.20%	55,000	EUR
BONUM 26102026	20.10.2021	20.10.2026	EB 3 months + 0.85%	20,000	EUR
BONUM 16112025	16.11.2021	16.11.2025	EB 3 months + 0.75%	30,000	EUR
BONUM 05042025	5.4.2022	5.4.2025	EB 3 months + 1.40%	50,000	EUR
BONUM 22042027	22.4.2022	22.4.2027	EB 12 months + 1.25%	50,000	EUR
Debt securities issued during the reporting period					
BONUM 19072028	19.7.2023	19.7.2028	EB 6 months + 1.11%	50,000	EUR

DEBT SECURITIES PRESENTED IN CASH FLOW RECONCILIATION TO BALANCE SHEET

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Balance 1 Jan	**322,214**	**284,920**
Debt securities issued, increase	49,994	99,911
Certificates of deposits, increase	79,279	239,012
Total increase	**129,273**	**338,923**
Debt securities issued, decrease	-50,000	-100,000
Certificates of deposits, decrease	-118,219	-201,853
Total decrease	**-168,219**	**-301,853**
Total changes of cash flow	**-38,946**	**37,070**
Valuation	629	224
Balance at the end of period	**283,896**	**322,214**

NOTE 25 PROVISIONS AND OTHER LIABLITIES

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Provision for expected credit loss	402	277
Other liabilities		
Payment transfer liabilities	1,461	925
Rental liabilities, right of use items	329	329
Accrued expenses		
Interest payable	20,555	5,062
Advances received	438	409
Other accrued expenses	2,717	1,801
Other		
Liabilities on card transactions	16,087	10,740
Other	694	460
Total provisions and other liabilities	**42,970**	**20,003**

Lease liabilities are presented in Note 29.

NOTE 26 EQUITY CAPITAL

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Share capital	10,000	10,000
Fair value reserve		
From measurement of equity instruments	527	414
From measurement of liability instruments	-526	-1,894
Non-restricted reserves		
Reserve for invested non-restricted equity	30,000	30,000
Retained earnings		
Profit of sale of shares	-	1,538
Profit (loss) for previous financial years	8,136	3,215
Profit (loss) for the period	2,406	3,383
Total equity	**50,543**	**46,657**

SHARE CAPITAL

Share capital includes the paid share capital. Bonum Bank has a total of 1,400,000 shares. There was no change during the financial year.

RESTRICTED RESERVES

Fair value reserve

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

The reserve for invested non-restricted equity includes the portion of subscription price that is not recognised in share capital, as well as other equity investments which are not recognised in other reserves.

RETAINED EARNINGS

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

SPECIFICATION OF CHANGES IN FAIR VALUE RESERVE 1 JAN - 31 DEC 2023

(EUR 1,000)	Liability instruments	Equity instruments	Total
Fair value reserve 1 Jan	**-1,894**	**39**	**-1,855**
Fair value change, increases	3,030	358	3,388
Fair value change, decreases	-1,315	-217	-1,531
Expected credit loss	-6	0	-6
Deferred taxes	-342	-28	-370
Fair value reserve 31 Dec	**-526**	**152**	**-374**

SPECIFICATION OF CHANGES IN FAIR VALUE RESERVE 1 JAN - 31 DEC 2022

(EUR 1,000)	Liability instruments	Equity instruments	Total
Fair value reserve 1 Jan	**353**	**1,768**	**2,121**
Fair value change, increases	1,628	1,719	3,347
Fair value change, decreases	-4,434	-1,536	-5,970
Transferred from fair value reserve to the income statement	2	0	2
Transferred from fair value reserve to the retained earnings	0	-1,876	-1,876
Expected credit loss	-5	0	-5
Deferred taxes	562	-37	525
Fair value reserve 31 Dec	**-1,894**	**39**	**-1,855**

OTHER NOTES

NOTE 27 COLLATERALS GIVEN AND RECEIVED

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Given on behalf of own liabilities and commitments		
Debt securities	143,199	162,940
Other given collaterals	0	5,150
Total collateral given	**143,199**	**168,090**
Collaterals received		
Other received collaterals	11,790	0
Collaterals received from POP Banks	68,208	67,958
Total collateral given	**79,998**	**67,958**

Collaterals received from banks of POP Bank Group are long-term money market deposits related to the offering of central credit institution services and made by the banks in the POP Bank Group to the Bonum Bank. The amount of deposit liabilities in relation to the balance sheet total is confirmed annually.

NOTE 28 OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Loan commitments	171,533	160,498
Total off-balance sheet commitments	**171,533**	**160,498**

The expected credit losses of off-balance sheet commitments are presented in Note 14.

NOTE 29 LEASING

BONUM BANK PLC AS LESSEE

Bonum Bank Plc has leased mainly business premises.

RIGHT-OF-USE ASSETS 31 DEC 2023

(EUR 1,000)	Office Buildings	Total
Acquisition cost 1 Jan	**867**	**867**
Increases	451	**451**
Acquisition cost 31 Dec	**1,318**	**1,318**
Accumulated depreciation and impairment 1 Jan	**-543**	**-543**
Depreciation	-165	**-165**
Accumulated depreciation and impairment 31 Dec	**-708**	**-708**
Carrying amount 1 Jan		**324**
Carrying amount 31 Dec		**610**

RIGHT-OF-USE ASSETS 31 DEC 2022

(EUR 1,000)	Office Buildings	Total
Acquisition cost 1 Jan	**693**	**693**
Increases	174	**174**
Acquisition cost 31 De	**867**	**867**
Accumulated depreciation and impairment 1 Jan	**-384**	**-384**
Depreciation	-159	**-159**
Accumulated depreciation and impairment 31 Dec	**-543**	**-543**
Carrying amount 1 Jan		**309**
Carrying amount 31 Dec		**324**

Presented in Property, Plant and Equipment

LIABILITIES / LEASE LIABILITIES

(EUR 1,000)	31 Dec 2023	31 Dec 2022
Lease liabilities 1 Jan	**329**	**315**
Increases	451	174
Decreases	-164	-160
Lease liabilities 31 Dec	**616**	**329**

Presented in Other liabilities

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Total cash outflow for leases	-175	-167

AMOUNTS RECOGNISED IN PROFIT OF LOSS

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Depreciation		
Office Buildings	-165	-159
Total	**-165**	**-159**

Presented in Depreciation, Amortisation and Impairment of Property, Plant and Equipment

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Interest on lease liabilities	**-11**	**-6**

Presented in Net interest Income

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Variable lease payments not included in the measurement of lease liabilities	-62	-49
Expenses relating to short-term leases	-6	-5
Expenses relating to leases of low-value assets	-35	-26
Total	**-102**	**-80**

Presented in other operating expenses.

NOTE 30 RELATED PARTY DISCLOSURES

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

In the financial period 2023, Bonum Bank granted housing and consumption loans to related parties at employee terms. These loans are tied to generally applied reference rates.

BUSINESS TRANSACTIONS WITH RELATED PARTY KEY PERSONS

	Key persons in management		Other	
(EUR 1,000)	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Assets			7,918	
Loans	271	284	0	219
ECL	0	0	1	0
Liabilities				
Deposits	34	5	30,905	5,601
Off-balance-sheet commitments				
Loan commitments	8	8	250	250

COMPENSATION TO KEY PERSONS IN MANAGEMENT

(EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Short-term employee benefits	1,036	1,030
Total	**1,036**	**1,030**

COMPENSATION TO CEO AND MEMBERS OF THE BOARD

(EUR 1,000)	Salaries and remuneration
Ali-Tolppa Pia, CEO	240
Pulli Jaakko, Chairman of the Board	36
Linna Hanna, Vice Chairman of the Board	27
Lähteenmäki Ilkka, member of the Board	24
Kirsi Salo, member of the Board	24
Total	**350**

NOTE 31 EVENTS AFTER THE CLOSING DATE

Bonum Bank'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.

SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Espoo, February 15th 2024

Board of Directors of Bonum Bank Plc

Jaakko Pulli
Chairman of the Board

Hanna Linna

Ilkka Lähteenmäki

Kirsi Salo

Pia Ali-Tolppa
CEO

Auditor's note

A report on the audit performed has been issued today.

Espoo, February 15th, 2024

KPMG OY AB

Tiia Kataja
APA

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

AUDITOR'S REPORT

To the Annual General Meeting of Bonum Bank Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Bonum Bank Plc (business identity code 2192977-5) for the year ended 31 December, 2023. The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information.

In our opinion the financial statements give a true and fair view of the company´s financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with the additional report submitted to the Board of Directors.

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 the company 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.

We have not provided any non-audit services to the company.

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 (notes 2, 12, 13, 14 and 16 to financial statements)	
• Loans and receivables from customers amounted to EUR 193,4 million. Interest and fee and commission income on receivables from customers represent a significant part of Bonum Bank's revenue. • The calculation of expected credit losses in accordance with IFRS 9 Financial Instruments is based on the valuation models used by the POP Bank Group and on expert estimates. The calculation involves assumptions, estimates and management judgement, in particular regarding the probability of expected credit losses and the determination of significant increases in credit risk. • The components of the expected loss calculation are updated and refined based on actual credit risk developments, the development of the calculation process, and regulatory changes and requirements. • Due to the significance of the carrying amount of receivables involved, the complexity of the calculation methods used and management judgement, 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. • We gained understanding of the control environment for outsourced process elements based on ISAE 3402 reports. • We assessed the models and underlying key assumptions for calculating expected credit losses, as well as tested the controls over the calculation process and credit risk models for expected credit losses. • We involved our own IFRS and financial instruments specialists. • Furthermore, we considered the appropriateness of the notes in respect of receivables and expected credit losses.

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 financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and that financial statements 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 the company'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 the company or cease operations, 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 the company'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 the company'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 the company 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.

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 shareholders' meeting on 27 of June 2013, and our appointment represents a total period of uninterrupted engagement of 11 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 15, 2024
KPMG OY AB

Tiia Kataja
Authorised Public Accountant, KHT

POP Bank

Bonum Bank Plc